



## Olympia Capital Holdings Limited

### Information Memorandum

Rights Issue of (30,000,000) Thirty Million new ordinary Shares at the Rate of three New Ordinary Shares of Kshs 5.00 for every one Ordinary Share held of Kshs 5.00 at the Rate Kshs. 14.00.

These rights are renounceable

**3rd September 2007**

mboya & wangong'u

Lead Transaction Advisors



Joint Lead Sponsoring Stockbrokers

mboya & wangong'u

Legal Advisors

**Deloitte.**

Reporting Accountants



Registrars



Receiving Bank

## **IMPORTANT NOTICE**

A copy of this Information Memorandum and of the Provisional Allotment Letter together with the documents required by Section 43 of the Companies Act to be attached thereto, have been delivered to the Registrar of Companies at the Attorney General's Chambers in Nairobi for registration.

By virtue of the provisions of section 40(6) (a) of the Companies Act, this Information Memorandum is not a prospectus complying fully with the requirements of section 40 of the said Act.

This Information Memorandum contains information that is provided in compliance with the requirements of the Companies Act and the Capital Markets Authority Act as well as the rules and regulations there under. The Directors of Olympia Capital Holdings Limited have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material respects, and there are no other material facts the omission of which would make any statement herein, whether of fact or opinion, misleading. All the Directors of Olympia Capital Holdings accept responsibility accordingly.

Part VIII of this Information Memorandum contains the Auditors Statement, which constitutes a statement purporting to be made by an expert in terms of section 42(1) of the Companies Act. The expert making the statement has not withdrawn his consent to the issue of the said Statement in the form and context in which it is included in the Information Memorandum.

The Capital Markets Authority has granted permission for the Rights Issue. As a matter of policy, the Capital Markets Authority does not assume responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the Rights Issue and/or listing is not to be taken as an indication of the merits of the Issuer or the securities. The Nairobi Stock Exchange has granted permission for listing of the new shares on its Main Investment Market Segment (MIMS)

This document is accompanied by the Provisional Allotment Letter. The latest time for the acceptance and payment in full is 3.00 pm on 28<sup>th</sup> September 2007. The procedure for acceptance and payment is set out in the Provisional Allotment Letter.

It is advisable that you immediately consult your stockbroker, investment advisor, banker or other financial consultant when considering what action you should take in relation to your provisional allotment under the Rights Issue.

If you have sold or transferred all your Ordinary Shares in Olympia Capital Holdings Limited, please forward this Information Memorandum and the Provisional Allotment Letter to the purchaser or transferee, or to the stockbroker or agent through whom the sale or transfer was affected, for delivery to the purchaser or transferee.

### **Olympia Capital Holdings Limited**

Registered office as LR No 209/5532, Dunlop Factory, Off Nanyuki Road, Industrial Area, P. O. Box 30102, Nairobi, Tel 020-271 6222 (office), 020-6513112, 650183 (factory)

Incorporated in Nairobi, on 22<sup>nd</sup> May 1970

Under the companies Act (Cap 486 Laws of Kenya)

Registration Number C.38/75.

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**APPENDIX 2: STATEMENT FROM THE AUDITORS.**

**APPENDIX 1 OLYMPIA CAPITAL CORPORATION LIMITED ACCOUNTS**

**APPENDIX 2 STATEMENT FROM COMPANY’S AUDITORS**

## CHAIRMAN'S STATEMENT

Dear Shareholder

I am very pleased indeed to enclose the attached Information Memorandum and the accompanying documentation in respect of the proposed Rights Issue

Since formation of the company in 1970, your company has grown from strength to strength. It has evolved from a local small company in Nairobi's industrial area to a multi-national company with business across the continent. Over the years, the company has continued to enjoy the confidence, trust and support of its shareholders.

Last year your company achieved a 36% increase in turnover to Kshs 396 million and a 26% increase in net profit attributable to shareholders to Kshs 14.8 million. These results take into account all the costs of acquisition of the South African manufacturing company, Plush Products (Pty) Ltd, but only one month's results of the newly acquired business. They also take into account the weakening of both Southern African currencies that we trade in, to the Kenya shilling.

In order to ensure control of our Botswana listed subsidiary, it is essential for the company to have a rights issue. Our Botswana subsidiary had a very successful rights issue in the first quarter of 2007, which resulted in a complex warehousing arrangement being made which will allow your company to regain control of the Botswana Company. To this end, shareholders have approved the Rights Issue.

On a consolidated level, the board expects consolidated turnover to exceed Kshs 1 Billion in 2007 with the acquisition of Plush Products (Pty) Limited by our Botswana listed subsidiary. We will however need to change our year end to February to coincide with the year end of Plush and now also Olympia Capital – Botswana.

### **Kenya**

Our Kenyan manufacturing operations achieved a 20% increase in top line and a shift from a loss to a marginal profit situation. Despite not having purchased the much needed replacement plant, we expect similar improvement in the financial results of the operations in 2007.

The ownership of 27.5% of Avon, which is a property company will also make an improvement to the profit contribution of the Kenyan operations and significantly improve our leverage capabilities.

### **Botswana**

It was an eventful year for our Botswana subsidiary, Olympia Capital Corporation Ltd, as it acquired 74% of Plush Products (Pty) Ltd, a South African Company that is involved in the manufacture and distribution of Curtain Tracks and related products. Only one month's turnover from Plush was consolidated. Plush Products (Pty) Ltd intends to enter into the mirrors and shower doors distribution business that will add 20% to the top line in three years.

Olympia Capital Corporation Ltd has changed its year end from December to February to accommodate logistical year end issues in the newly acquired company.

Kalahari Floor Tiles (Pty) Limited, our Botswana operating business performed very well during the year under review, and we expect similar improvement during the year 2007.

**South Africa:**

Subject to our regaining control of Olympia Capital – Botswana, we expect most of the changes to come from our newly acquired operations in South Africa. As mentioned above, due to the date we completed the acquisition, we only consolidated one month's turnover. Plush Products (Pty) Limited is already entering into new lines and looking into possible acquisition opportunities in South Africa.

**Dividend Policy**

For the past four years, the company did not pay dividends as it was expanding to the new markets of Botswana and South Africa. All the necessary capital injection and investment have been cleared now. Going forward, the company intends to pay at least 20% of its net earnings as dividends. The additional new shares will qualify for the dividends due on the 30<sup>th</sup> June, 2008.

**Rights Issue**

The company intends to raise additional capital through the Rights Issue. This will not only position the company to meet its growth objectives over the medium to long term but will also give it the necessary competitive edge to remain a leading player in the growing economies of Kenya, Botswana and South Africa.

I would strongly urge you to read the enclosed documents, incorporating the Information Memorandum and Provisional Allotment Letter, and respond favourably, by taking up your Rights.

Lastly, May I take this opportunity to thank the Board and Management for their dedication during the year and request the support of the shareholders as we raise funds to complete our five year plan to make your company a well diversified regional building material and property group.

**Dr. C.W. Obura**  
**Chairman**

**Date:** 3<sup>rd</sup> September 2007

**DIRECTORS' STATEMENT ON THE RIGHTS ISSUE**

We hereby declare that all information stated in this application and the statements contained in the report are correct, and neither the Board of Directors' minutes, audit reports nor any other internal documents contain information, which could distort the interpretation of the report.

Yours sincerely,

**Dr. C.W. Obura**  
**Chairman**

**Mr. M.W. Matu**  
**Director**

**Date:** 3<sup>rd</sup> Sept 2007

## DEFINITIONS

In this Information Memorandum and the PAL, unless otherwise stated, the following expressions shall have the corresponding meanings:

“Act ” or “companies Act”	The companies Act (Cap 486 Laws of Kenya)
“Additional New Shares”	Additional New Shares that may be applied for by Qualifying Shareholders using the Excess Application Form
“Articles”	The Article of Association of Olympia.
“Authorized Agent”	those institutions authorized by the Company to receive PALs as listed in the Appendix to this Circular;
“Board”	The board of Directors of Olympia
“Botswana”	The republic of Botswana
“Capital Markets Act”	The Capital Markets Act (Cap 485 A) of the Laws of Kenya.
“CDA”	Central Depository Agent
“CDS Account”	A security Account opened on behalf of the shareholders with the Central Depository and Settlement Corporation Limited for the purposes of recording deposits and dealing of immobilized shares.
“CDSC”	The Central Depository System operated at the Nairobi Stock Exchange by the Central Depository and Settlement Corporation Limited.
“Cheque”	Refers to the cheques drawn on the account of an Authorized Agent.
“Closing Date”	3.00 p.m 28 <sup>th</sup> September 2007 being the last day for receipt of acceptances in respect of New Shares
“CMA”	Capital Market Authority established by the Capital Markets Act Cap 485A of the Laws of Kenya.
“Lead Sponsoring Stockbrokers”	Standard Investment Bank Limited Faida Securities Limited
“Directors” or “Board”	The persons named herein as Directors of the Company.
“EGM”	Extra ordinary general meeting
“Excess Application Form”	Part of the PAL which allows Qualifying Shareholders to apply for Additional New Shares
“Information Memorandum”	This document , Information Memorandum dated and issued on - 3rd September 2007
“Issuer”	Olympia Capital Holdings Limited
“Issue Document”	Means this Information Memorandum and the Provisional Allotment Letters.
“KFT”	Kalahari Floor Tiles (Proprietary) Limited a private company incorporated in Botswana on the 17th November, 1988 under the company’s registration number 88/1183, a subsidiary of Olympia engaged in the manufacture of Vinyl floor tiles and uPVC and Aluminum window and door frames in Botswana
“Kshs.”	Kenya Shillings, the lawful currency of the republic of Kenya.
“New Shares”	Thirty million ordinary shares to be issued pursuant to the Rights Issue.
“NAV”	Net Asset Value
“NSE”	The Nairobi Stock Exchange

“OCHL”	Olympia Capital Holdings Limited, a public company incorporated in Kenya and listed at the Nairobi Stock Exchange and registration number C. 38/75.
“Offer Price”	Kshs. 14.00 per New Share
“ordinary shares”	the ordinary shares of Kshs.5.00 each in the Company
“Olympia Group” or “Group”	Olympia Capital Corporations and its Subsidiaries
“Olympia Capital Corporation”	Olympia Capital Corporation Limited, a public company incorporated in Botswana on 14th October, 2002 under company registration number 2002/3073 whose entire issued share capital is listed on the VCM of the Botswana Stock Exchange.
“PAL” or “Provisional Allotment Letter”	the renounceable (nil paid) provisional allotment letter issued in respect of the New Shares
“Plush Group”	Plush, Yokota and Kirsh are the three companies that are controlled by the same shareholders.
“Plush”	Plush Products (Pty) Limited , a private company incorporated in accordance with the laws of South Africa , with registration number 1983/010966/07 and carrying on business as a manufacturer and distributor of curtain tracks, accessories and related products as well as imported ready made blinds.
“Pula” or “P”	The legal tender of Botswana, in which certain monetary amounts in this circular are expressed.
“Qualifying Shareholder”	a shareholder recorded on the register of OHCL on the Record Date
“Receiving Bank”	Kenya Commercial Bank Limited.
“Receiving Agents”	OHCL Rights Issue Authorized Agents as set out in the list contained in this information memorandum
“Record Date”	the close of business on 17th August 2007
“Register”	The register of members of the Bank
“Rights Issue”	The issue of up to 30,000,000 New Shares by the Company by way of rights as described in this document and the PAL.
“Rights”	the right to subscribe for New Shares under the terms of the Rights Issue;
“Share Registrar”	Custody and Registrars Services Limited
“South Africa”	The Republic of South Africa
“thebe” or “t”	The legal tender of Botswana , representing one hundredth of a pula
“VCM”	The Venture Capital Market Board of the BSE.
“Yokota”	Yokota (Pty) Ltd , a private company incorporated in accordance with the laws of South Africa , with Registration number 1970/002800/07
“ZAR” or “R”	South African Rand, the official currency of South Africa.

**PARTIES TO THE RIGHTS ISSUE**

<p><b>Lead Transaction Advisor</b></p> <p>Mboya &amp; Wangong'u Advocates  P.O. BOX 74041 - 00200  Lonrho House, 7th Floor  Standard Street, Nairobi  KENYA  Tel: 341457/8</p>	<p><b>Joint Lead Sponsoring Brokers:</b></p> <p><b>Standard Investment Bank Limited</b>  17th floor, ICEA Building, Kenyatta Avenue  PO Box 13714, 00800, Nairobi. Tel: 220225  info@standardstocks.com</p> <p><b>Faida Securities Limited</b>  1st floor, Windsor House,  Muindi Mbingu Street  PO Box 45236, 00100, Nairobi. Tel: 243811-13  info@faidastocks.com  www.faidastocks.com</p>
<p><b>Receiving Bank:</b>  Kenya Commercial Bank Limited  Kencom House, Moi Avenue  P O Box 48400 00100  Nairobi  Tel. 3270000 Ext. 2163  E-mail: <a href="mailto:olympiarights@kcb.co.ke">olympiarights@kcb.co.ke</a></p>	<p><b>Legal Advisor:</b>  Mboya &amp; Wangong'u Advocates  P.O. BOX 74041 - 00200  Lonrho House, 7th Floor  Standard Street, Nairobi  KENYA  Tel: 341457/8</p>
<p><b>Reporting Accountants:</b>  Deloitte &amp; Touche  Kirungii House, Ring Road, Westlands  P O Box 40092 00100  Nairobi</p>	<p><b>Company Secretary:</b>  Lina Kantaria  LR 12325/23  Hillview Center, Hillview Estate  Commercial Registrars  P o Box 49925  Nairobi</p>
<p><b>Registrar:</b>  Custody &amp; Registrars Services Limited  6th Floor Bruce House, Standard Street  P O Box 8484 00100  Nairobi  Tel. 230488  Fax 243541  <a href="mailto:crsltd.co.ke">crsltd.co.ke</a></p>	<p><b>Auditor</b>  DCDM Associates  Certified Public Accountants  Loita House, Loita Street  P O Box 10032  GPO, 00100  Nairobi</p>

## SALIENT FEATURES OF THE RIGHTS ISSUE

### 1. ISSUE STATISTICS

<b>Rights issue price:</b>	<b>Kshs.14.00</b>
Total number of New Shares offered:	30,000,000
Total amount to be raised before expenses:	<b>Kshs. 420,000,000</b>
Ratio of entitlement of the offer:	Three New Shares for every one Olympia Capital Holdings Limited share held

**Table 1: Issue Statistics**

### 2. TIMETABLE OF PRINCIPAL EVENTS

<b>Events</b>	<b>Period</b>
Record date (Register closure date)	17 <sup>th</sup> August 2007
Upload of the rights into the CDSC system and distribution of Information Memorandum and PALs to Olympia Capital Holdings Limited shareholders to commence	31 <sup>st</sup> August 2007
Commencement in trading in Rights at the NSE	3 <sup>rd</sup> Sept 2007
Last date for immobilization of Provisional Rights	12 <sup>th</sup> Sept 2007
Last date for renunciation (by way of private transfer)	14 <sup>th</sup> Sept 2007
Last date for trading in Rights	14 <sup>th</sup> Sept 2007
Last date and time for acceptance and payment for the New Shares	3.00pm 28 <sup>th</sup> Sept 2007
Announcement of Rights Issue results	12 <sup>th</sup> October 2007
Dispatch of Share certificate for new shares and printing of refund cheques	15 <sup>th</sup> October 2007
Printing and Dispatch of refund cheques (Applicable if applications are received in excess of the number of untaken shares)	15 <sup>th</sup> October 2007
Update of Olympia Capital Holdings members Register	19 <sup>th</sup> October 2007
Dispatch of Share certificate for new shares and printing of refund cheques	19 <sup>th</sup> October 2007
Notifications for CDS Account holders of acceptance/Allotment.	22 <sup>nd</sup> October 2007
Date of listing and commencement of trading of New Shares at the NSE	22 <sup>nd</sup> October 2007

**Table 2: Time table of principal activities.**

**Note:**

- a) The above information should be read in conjunction with this Information Memorandum in its entirety
- b) The above dates and times are subject to amendment with the approval of the CMA. Any amendment to the dates and time will be published in the press.

**3. BASIS OF THE RIGHTS ISSUE PRICE**

The Rights Issue Price represents a discount of 30.8%% of the average price of Olympia Capital Holdings Limited shares at the Nairobi Stock Exchange for past the six months period ended 31<sup>st</sup> July 2007. The Price has been determined by the Company and the Transaction Advisers on the basis of the historic weighted average price of the Company in the last six months, the comparative Price Earnings (P/E) Ratio and the Price to Net Asset Value (P/NAV). *Refer to Performance on the NSE in table below and the key ratios for further details.* In addition, the Price also took into account the following factors:

- Current macro and micro-economic performance of Kenyan economy ;
- The Government policies and incentives in boosting the construction and house ownership schemes.
- Past performance of similar rights issues in Kenya;
- Growth expected in the building and construction industry;
- The company's regional expansion strategy.

Months	Average Price
February	25.29
March	18.45
April	19.66
May	18.26
June	18.78
July	20.96
<b>Average Price for Six Months.</b>	<b>20.23</b>

Table 3: Average Price for the past Six months.

**4. MINIMUM SUBSCRIPTION**

The Directors of Olympia Capital Holdings shall not proceed with the final allotment of new shares unless the applications to subscribe for not less than 15,000,000 new shares (50% of the total new shares) with full payment for a total consideration of not less than Kshs.210,000,000 is received on or before 28<sup>th</sup> September, 2007. There are no underwriting arrangements in this rights issue.

## 5. FINANCIAL STATISTICS OF OLYMPIA CAPITAL HOLDINGS AS AT 31<sup>st</sup> December, 2006

The table below sets out certain key investor ratios based on Olympia Capital Holdings Limited audited consolidated financials statements for the year ended 31<sup>st</sup> December 2005 and for the audited consolidated financials statements for the year ended 31<sup>st</sup> December 2006.

	<b>31.12.2005 (12 months)</b>	<b>31.12.2006 (12 months)</b>
Earnings per Share ( Annualized)	Kshs 1.18	Kshs 1.48
Dividend per Share	Nil	Nil
Net Asset Value per Share	Kshs 19.12	KShs.20.72
Dividend Cover	Nil.	Nil

**Table 4: Key ratios.**

## 6. FINANCIAL STATISTICS BASED ON THE RIGHTS ISSUE PRICE

The table below sets out certain key investor ratios based on Olympia Capital Holdings audited consolidated financials statements for the year ended 31<sup>st</sup> December 2006 and the Rights Issue Price

	<b>2006</b>
Price Earnings Ratio	20.95
Gross Dividend Yield	0.0%
Price to Net Asset Value	10.01

**Table 5: Financial Statistics.**

## 7. MOVEMENT IN SHARE CAPITAL OF THE GROUP TEN YEARS IMMEDIATELY PRECEDING THE DATE OF THIS INFORMATION MEMORANDUM.

The movement in Olympia Capital Holdings Limited share capital during the ten year period from 1<sup>st</sup> January, 1997 to 31<sup>st</sup> March, 2007 is set out below;

Year	Share Capital	Amount
1997	<i>Authorized Share Capital</i> 2,000,000 ordinary shares of Kshs. 5 each	Kshs. 10,000,000
	<i>Issued and Fully paid Share Capital</i> 2,000,000 ordinary shares of Kshs. 5 each	Kshs. 10,000,000
	At the AGM held on 28 July 1998, the members approved that the authorized share capital of the company be increased by the creation of 38,000,000 ordinary shares of Shs. 5 each	
	At the same meeting the shareholders also approved the capitalization of shs. 40,000,000 to be applied to a bonus issue of four ordinary shares for every one ordinary share held	
1998	<i>Authorized Share Capital</i> 40,000,000 ordinary shares of Kshs. 5 each	Kshs. 200,000,000
	<i>Issued and Fully paid Share Capital</i> 10,000,000 ordinary shares of Kshs. 5 each	Kshs. 50,000,000
1999 – 2006	<i>Authorized Share Capital</i> 40,000,000 ordinary shares of Kshs. 5 each	Kshs. 200,000,000
	<i>Issued and Fully paid Share Capital</i> 10,000,000 ordinary shares of Kshs. 5 each	Kshs. 50,000,000
March 2007	<i>Authorized Share Capital</i> 40,000,000 ordinary shares of Kshs. 5 each	Kshs. 200,000,000
	<i>Issued and Fully paid Share Capital</i> 10,000,000 ordinary shares of Kshs. 5 each	Kshs. 50,000,000

Table 6: Movement of the share capital of the Group.

## 8. DIRECTORS AND SHAREHOLDERS RESOLUTIONS

The Board of Directors passed a resolution to issue 30,000,000 (thirty million) new shares for the purposes of a Rights Issue at the Board meeting held on the 18th April, 2007 and the shareholders approved the same resolution in the Annual General Meeting held on the 15th June, 2007. These resolutions were passed unanimously without any objection

**HIGH & LOW PRICES FOR THE YEARS BETWEEN 2003 AND 2006.**

	2003	2004	2005	2006
High (Kshs)	17.5	40.00	25.00	40.00
Low (Kshs)	4.80	6.70	13.20	13.20
Closing at Year end (Kshs)	17.35	15.85	16.00	31.00

Table 7: High-Low for the Year Between 2003 to 2007

*Source: Nairobi Stock Exchange.*

High-lows for January to June 2007

	Jan	Feb	Mar	Apr	May	June
High (Kshs)	40.00	28.00	23.00	22.00	22.00	19.50
Low (Kshs)	27.00	23.00	12.00	16.00	16.00	17.20

Table 8: High – Lows for January to June, 2007.

Below are the graphical monthly prices of Olympia Capital Shares at the Nairobi Stock Exchange for the period January 2007 to June 2007.

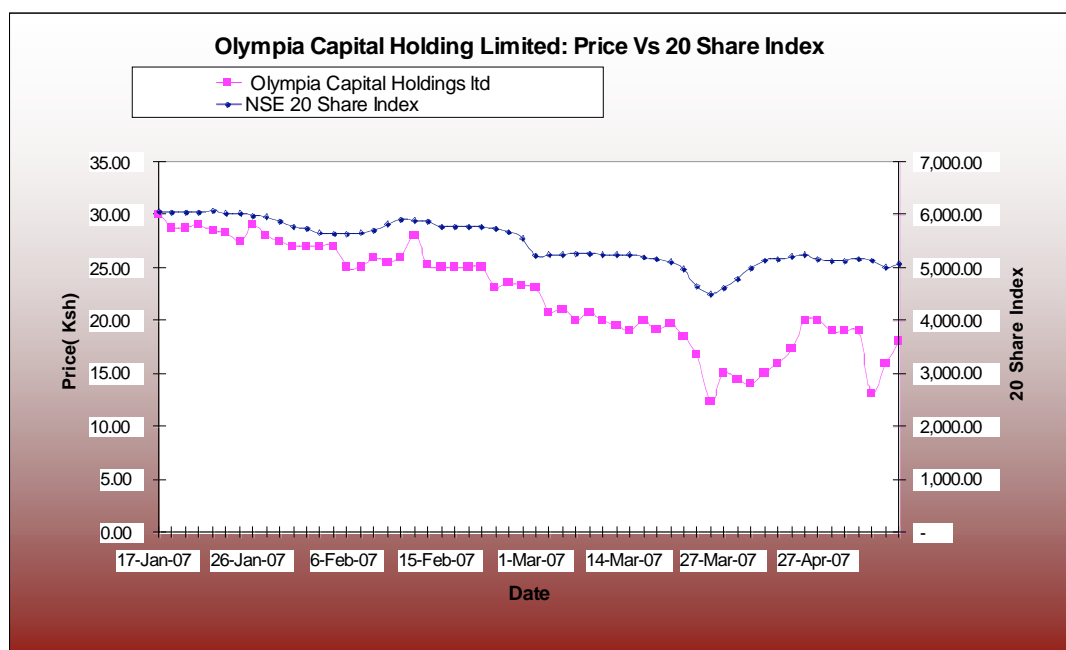


Figure1: Olympia Capital Holding Limited Price Vs NSE 20 Share Index.

**Source:** Nairobi Stock Exchange

From the graph above, the company’s share price movement at the Nairobi Stock Exchange has been moving in tandem with the NSE 20 Share index. Therefore, the OCHL price movement mirrors the NSE index.

## **1.0 THE RIGHTS ISSUE**

### **1.1.0 AMOUNT TO BE RAISED BY THE RIGHTS ISSUE**

The Rights Issue entails the issuance of 30,000,000 New Shares at the rate of three ordinary shares for every one ordinary share held in the Company at a price of Ksh.14.00 per every new ordinary Share to the shareholders on the Register of the Company on the Record Date of 17<sup>th</sup> August 2007.

### **1.1.0 PURPOSE OF THE RIGHTS ISSUE**

The purpose of the Rights Issue is to raise long term funds totaling to an amount of Kshs. 420,000,000 for the following:-

- i. To increase OCHL shareholding in OCCL, an associate company listed on the Botswana Stock Exchange.
- ii. To fund potential business acquisitions in Kenya. OCHL is already in preliminary discussions with two Kenyan manufacturing companies. This is a strategic move that is going to bring a strong presence of the company in the local manufacturing market to compliment that of local subsidiary.
- iii. To fund acquisitions and mergers in South Africa, where the current value chain in the retail housing sector is not complete and the company is forced to partner with others in order to market and sell its products. Therefore to reduce the cost of business and increase trading margins, the company is looking to acquire/merge with companies that can complement the current businesses in both Botswana and South Africa.

## **1.2 TERMS OF THE RIGHTS ISSUE.**

### **1.2.0 The exchange where the shares will be listed.**

The new shares will be listed on the Main Investment Market Segment (MIMS) of the Nairobi Stock Exchange

### **1.2.1 Offer for subscription**

Olympia Capital Holdings Limited hereby offers for subscription, by way of renounceable Rights, to Olympia Capital Holdings Limited shareholders registered on the Register Closure date, a total of 30,000,000 New Shares at the Rights Issue Price of Kshs. 14.00 per New Share payable in full on acceptance in terms of paragraph 1.2.6 set out below. The actual number of New Shares being offered to a Qualifying Shareholder is set out in the PAL.

### 1.2.2 Status of the New Shares

The new Kshs 5.00 ordinary shares to be issued and allotted under the terms of the Rights Issue, will **rank pari passu** in all respects with the existing OCHL shares including the right to receive in full dividends and other distributions declared, made or paid in respect of OCHL shares. These shares will be issued as fully paid ordinary shares with a par value of Kshs 5.00 each. These new shares will be eligible for payment of dividend from 30<sup>th</sup> June 2008

### 1.2.3 Opening and Closing Date of the Rights Issue

The Rights Issue will open at 8.00am. on 3<sup>rd</sup> Sept 2007 and will close at 3.00pm on 28<sup>th</sup> Sept 2007.

### 1.2.4 Provisional Allotment/Rights

- (i) The number of New Shares which are being provisionally allotted to each Qualifying Shareholder are stated in the PAL, under the heading "Provisional Allotment".
- (ii) Qualifying Shareholders with CDS Accounts will have their accounts credited with the applicable Provisional Rights. In this regard, the Registrar will notify the qualifying shareholders of their credited Provisional Rights through the PAL.
- (iii) Qualifying Shareholders who do not have CDS Accounts in their name, but wish to open such an account, are requested to submit duly completed and signed CDS Account opening forms together with their PAL to their Stockbrokers or any Authorized Central Depository Agent (CDA) to enable crediting of Provisional Rights to the newly opened CDS Accounts.  
*Please note that CDS Account opening forms may be obtained from any Authorized Central Depository Agent.*
- (iv) The number of New Shares being offered to each Qualifying Shareholder has been calculated by applying the Rights Issue Ratio. It is acknowledged that this calculation may result in fractional entitlements to New Shares. In such an event any entitlement to fractions of New Shares will be **revised downwards**, if applicable, to the nearest whole number and such fractional entitlements will not be allotted to the Qualifying Shareholder. Once the basis of the entitlement is declared the issuer shall not make any subsequent alterations to such entitlements.
- (v) Any fractions of New Shares that result from applying the Rights Issue Ratio to Qualifying Shareholders will be aggregated and allotted by the Board on pro rata basis before the commencement of trading of the New Shares and/or Additional New Shares at the NSE.
- (vi) Any New Shares and/or Additional New Shares not taken up by Qualifying Shareholder(s) and/or Renounees will be allotted by the Board to such other persons in an equitable manner before the commencement of trading of the New Shares and/or Additional New Shares at the NSE.

### 1.2.5 Implications of not having a CDS Account.

Whilst it is not mandatory for a Qualifying Shareholder to open a CDS Account, the effect of not doing so, is that the Provisional Rights arising in respect of the New Shares provisionally allotted to such Qualifying Shareholder shall not be tradable on the NSE until such time as a CDS Account has been opened in the name of the Qualifying Shareholder or Renouncee, and the Provisional Rights have been credited to that account.

### 1.2.6 Procedure for Acceptance

Full details of the procedure for acceptance and payment are contained in this Information Memorandum and the enclosed PAL. It should be noted that:-

- (i) Acceptances once given are irrevocable and may not be withdrawn.
- (ii) Acceptance may only be made by means of the PAL and Form E (if applicable) being duly completed, signed, and returned intact to the Receiving Bank, either directly or through any Authorized Agent.
- (iii) The duly completed and signed PAL and Form E (if applicable) accompanied with payment for the full amount due for the New Shares and/or Additional New Shares by way of a cheque (banker's or Authorized Agent's), hand delivered or posted, must be received by the Receiving Bank not later than 3.00pm. on 28<sup>th</sup> September, 2007 either directly or through any Authorized Agent.

*Please note that risk of posting lies with the Qualifying Shareholder and/or Renouncee, as the case may be, and no late acceptances, whether resulting from postal delays or otherwise, will be permitted.*

- (iv) All cheques (banker's or Authorized Agent's) must be in Kenya Shillings and drawn on a licensed commercial bank that is a member of the Central Bank of Kenya Clearing House, and should be made payable to "**OCHL-Rights Issue**" and be crossed "**A/C Payee Only**". Each cheque or banker's draft received by the Receiving Bank will be deposited immediately for collection. No interest will be payable by OCHL on money received.
- (v) Payments made in accordance with paragraph 1.2.6 (iv) above will, once the cheques have been honoured, constitute acceptance of the Rights Issue upon the terms and conditions set out in this Information Memorandum and in the PAL.
- (vi) If any PAL, form of entitlement (if applicable) and accompanying payment by way of cheque for the full amount due for the applicable New Shares and any Additional New Shares, is not lodged with the Receiving Bank by 3.00 p.m. on 28<sup>th</sup> September 2007, then the Provisional Rights will be deemed to have been declined by the Qualifying Shareholder in question and the right to subscribe for the New Shares offered to the Qualifying Shareholder or to be

renounced in favor of a Renounee, will lapse irrespective of who then holds the PAL.

### **1.2.7 Full Acceptance**

Qualifying Shareholders who wish to subscribe for all of the New Shares being offered to them in the terms of this Information Memorandum and their PAL, must complete the section for **Full Acceptance-Part 1** as set out in the PAL and return the entire PAL, intact, duly completed and signed, accompanied with the payment by way of cheque for the full amount due for the New Shares, to be received by the Receiving Bank, not later than 3.00.p.m. on 28<sup>th</sup> Sept 2007, either directly or through any Authorized Agent.

### **1.2.8 Partial Acceptance**

Qualifying Shareholders who wish to subscribe for only a portion of the New Shares on the terms of this Information Memorandum and their PAL, and take no further action, must complete the section of **Partial Acceptance-Part 2** as set out in their PAL, and return the entire PAL, intact, duly completed and signed, accompanied with the payment by way of cheque for the full amount due for the total number of partially accepted New Shares, to be received by the Receiving Bank, either directly or through any Authorized Agent, not later than 3.00.p.m. on 28<sup>th</sup> Sept 2007.

### **1.2.9 Non Acceptance**

- (i) Qualifying Shareholders who do not wish to subscribe for any of the New Shares on the terms of this Information Memorandum and their PAL or take any further action, should return their entire PAL to the Receiving Bank, either directly or through any Authorized Agent.
- (ii) Qualifying Shareholders, with CDS accounts having been credited with Provisional Rights, who do not take up their rights but nevertheless wish to sell the same in entirety, must instruct their Stockbroker or any Authorized Central Depository Agent, in writing, to sell their Provisional Rights, taking cognizance of the timetable of principal events in this Information Memorandum.
- (iii) Qualifying Shareholders with no CDS Accounts in their name and who do not want to subscribe for their Provisional Rights but nevertheless wish to dispose the same in entirety, will only be able to do so by opening a CDS Account in their name which must then be credited with their Provisional Rights, taking cognizance of the time guidelines as set out in this Information Memorandum.

### **1.2.10 Renunciation**

Qualifying Shareholders will be entitled to renounce all or in the case of those with the CDS accounts, a portion of their provisional rights to a close relation, (which includes a related company as defined below) or in the settlement of a will or estate of a deceased person in accordance with Regulation 57 of the Capital Markets (Licensing Requirements), (General Regulations) 2002, Section 31 of the Capital Markets Act and Rules 43 and 44 of the Central Depository Rules, 2004.

“Close relation” means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, son-in-law, mother-in-law, brother-in-law, grand child or spouse of a grand child.

“Related company” means a company which is:

- a) A holding company of another company.
- b) A subsidiary of another company
- c) A subsidiary of a holding company of another company.
- d) A company wholly owned by a qualifying shareholder.

And for the purposes of ascertaining the relations, that the first mentioned company and other company shall be deemed to be related to each other.

Renunciation of rights by qualifying shareholders shall be done in any of the following ways:

- I. Letting the rights lapse where the shareholder does not take any action.
- II. Renouncing to a third party through a direct renunciation using Form R
- III. Trading the rights through the Nairobi Stock Exchange.

Any renunciation to a third party will be without consideration. Rights not renounced to a third party or traded through the NSE will revert to OCHL and shall be allocated in accordance with the allocation criteria.

The following terms shall apply to any renunciation of rights:

- i. Qualifying shareholders who have CDS Accounts may renounce all or portion of their provisional rights in favor of Renounee who has a CDS Account.
- ii. Qualifying shareholders may renounce all or part of their rights to third parties through direct renunciation using Form R.
- iii. Qualifying shareholders renouncing to third parties through direct renunciation will have to complete **FORM R**.
- iv. The last date and time of renunciation by way of private transfer is 14<sup>th</sup> September, 2007.
- v. Qualifying Shareholders are advised to contact their Stockbrokers or any Authorized Agent for the purposes of effecting the renunciation through the NSE.

In such an event, the Qualifying Shareholder and the Renounee will be expected to duly complete and sign the **Central Depository System Private Transfer Form (CDS 7)** and submit the same accompanied with appropriate documentation to their Stockbrokers or any Authorized Agent for purposes of effecting the renunciation.

Following such renunciation as set out above, the Renounee, will be responsible for submitting the **Form for Entitlement (“Part E”)**, duly completed and signed, accompanied with the payment by way of cheque for the applicable number of New Shares, to be received by the Receiving Bank, not later than 3.00.p.m. on 28<sup>th</sup> Sept 2007, either directly or through any Authorized Agent.

Please note that **Form E** may be obtained from the offices of either the Stockbroker or any Authorized Agent.

- vi. In the event of partial acceptance of the Provisional Rights credited in the CDS Account, and renunciation of the remainder by way of private transfer, such Qualifying Shareholder shall be required to submit the **PAL** and **Form E** (if applicable), both duly completed and signed, accompanied with the payment by way of cheque for the full amount due in respect of the Rights accepted, not later than 3.00.p.m. on 28<sup>th</sup> September.2007, either directly or through any Authorized Agent.
- vii. It is hereby recorded that the Stockbrokers or the Authorized Agent through whom the renunciation is lodged, is entitled to ask for sufficient identification to verify that the person(s) making the renunciation is/are the Qualifying Shareholder(s) named in their PAL. In default, OCHL may at its sole discretion treat such renunciation as invalid or delay confirming the renunciation until verification has been provided.

### **1.2.11 Application for Additional New Shares**

- (i) Those Qualifying Shareholders who have taken up their Provisional Rights may apply for Additional New Shares, to the extent that any are available. To do so, they must complete the section for **Application for Additional New Shares – Part 1B** of their PAL, sign and return the entire PAL, duly completed, signed and accompanied with payment for the full amount due in respect of Additional New Shares, to be received by the Receiving Bank, not later than 3.00.p.m. on 28<sup>th</sup> Sept 2007, either directly or through any Authorized Agent.
- (ii) Any Additional New Shares not subscribed for under terms of the Rights Issue will be allocated to such Qualifying Shareholders as Additional New Shares on a pro rata basis after the Rights Issue closes, taking into account the number of Additional New Shares applied for by such Qualifying Shareholder.
- (iii) Each application for Additional New Shares will be regarded as a single application, except in the case of an application submitted by a recognized nominee company(*a company which is run by either Stock Brokers, Investment Banks or Custodial Company on behalf of the investor* ) and which discloses, on a typed supporting schedule attached to the PAL, the number of OCHL shares held on behalf of each principal, the number of New Shares taken up under the terms of the Rights Issue on behalf of each principal and the number of Additional New Shares applied for on behalf of each principal.
- (iv) In the case of multiple applications, the total number of Additional New Shares applied for in the same name will be regarded as a single application.
- (v) The press announcement publishing the results of the Rights Issue will include the basis of allocation of the Additional New Shares applied for and issued (if at all) and will be published on or about 12<sup>th</sup> October, 2007.
- (vi) No interest will be paid on monies received in respect of applications for Additional New Shares. Refund cheques (if any) in respect of unsuccessful applications for Additional New Shares will be sent to the Authorized Agents for collection or posted by registered mail on or about 15<sup>th</sup> October 2007.

Electronic Funds Transfer (EFT) will be subject to a minimum of Kshs 1,000,000 (one million)

- (vii) For qualifying shareholders to be eligible for new shares, they must submit PAL and /or Form of Entitlement (**FORM E**) duly completed, signed, accompanied with the payment by way of cheque for the full amount due in respect of the closing balance of the credited provisional Rights, to be received by the receiving Bank, by 3.00 pm on the 28<sup>th</sup> September, 2007, either directly or through any Authorized Agent.

### **1.3 TRADING IN RIGHTS.**

- 1.3.1 Trading in rights on the NSE will commence at 10:00 am on 3<sup>rd</sup> Sept 2007 and the last date for trading in Rights on the NSE is 1.00pm on the 14th September, 2007.
- 1.3.2 Only Qualifying Shareholders and or Renounees with CDS Accounts will be permitted to deal in Rights and only through the Stockbroker or any Authorized Agent. In such an event, Qualifying Shareholders and or Renounee may instruct the Stockbrokers or any Authorized Agent to dispose the Provisional Rights Credited in their CDS Accounts or alternatively make payment of the full amount due in respect of the provisional Rights they may wish to purchase.
- 1.3.3 Qualifying Shareholders who do not have CDS Account will first have to open CDS Account and immobilize their provisional rights prior to trading in the rights. In this regard, the CDS Account opening forms may be obtained from the offices of the Stockbroker or any Authorized CDS Agent.
- 1.3.4 Qualifying Shareholders with Provisional Rights may transfer the Rights in respect of such provisional allotment of New Shares, in PAL, without payment of the Rights Issue Price for the New Shares provisionally allotted, but such transfer may only be made by Qualifying Shareholders with CDS Accounts and by way of private transfer as set out in paragraph 1.2.10 of this document.
- 1.3.5 Costs associated with the trading of Rights are for the account of the sellers and buyers of such Rights and not OCHL in any event.

### **1.4 NEW SHARES**

- 1.4.1 Qualifying Shareholders and/or their Renounees, with CDS Accounts, who comply with procedure of acceptance as set out in paragraph 1.2.6 of this Information Memorandum, will receive their New Shares in electronic form through their respective CDS Accounts being credited with the allotted number of New Shares. In such an event, Qualifying Shareholders must ensure the CDS Account details set out in their PAL are correct and valid.
- 1.4.2 Qualifying Shareholders or Renounees who comply with the procedure of acceptance as set out in paragraph 1.2.6 of this Information Memorandum, but who do not have a CDS account and nevertheless wish to trade in their New Shares should submit PAL, **Form E** (if applicable) and CDS Account opening forms, all duly

completed and signed, accompanied with the payment by way of cheque for the applicable New Shares, to be received by the Receiving Bank, either directly or through any Authorized Agent, not later than 3.00.p.m. on 28<sup>th</sup> Sept 2007, to facilitate their newly opened CDS Accounts being credited with the allotted number of New Shares.

- 1.4.3 Qualifying Shareholders or Renounees who comply with procedure of acceptance as set out in paragraph 1.2.6 of this Information Memorandum but who choose not to have a CDS Account and who do not wish to trade in the New Shares, should nevertheless submit the duly completed and signed PAL accompanied with the payment by way of cheque for the applicable New Shares, to be received by the Receiving Bank, not later than 3.00pm. on 28<sup>th</sup> September, 2007, either directly or through any Authorized Agent.

In such an event, Qualifying Shareholders or Renounees, as the case may be, will receive share certificates in respect of the applicable number of New Shares through the Authorized Agent where the application was submitted.

- 1.4.4 The fully paid New Shares will be admitted on the Main Investment Market Segment (MIMS) of NSE on 22<sup>nd</sup> October 2007, with dealings of New Shares commencing on the same date.

## **1.5 TAX IMPLICATIONS**

Investors/ shareholders interested in participating in the rights issue should note the following tax implications:

- Kenyan and East African citizen investors will be paying withholding tax on dividends at a rate of 5% whereas non residents will be paying withholding tax on dividends at a rate of 10%. The withholding tax will be the final tax. There are no tax implications when subscribing for or trading in the rights. Non resident investors will, however, be bound by laws operating in their respective jurisdictions.

**1.6 EXPENSES OF THE RIGHTS ISSUE**

	<b>Kshs</b>
Joint Sponsoring Stockbrokerage fees	3,000,000.00
Legal fees	3,000,000.00
Reporting Accountants fees	2,012,500.00
Placing commission	6,300,000.00
Corporate Finance Advisory fees	999,950.00
CMA approval fees	126,000.00
NSE listing fees	500,000.00
PR Consultants Services	500,000.00
Printing and Postage	1,500,000.00
Advertising Costs	500,000.00
Registrar Services	500,000.00
Receiving Bank Services	1,024,800.00
<b>Total</b>	<b>20,363,250.00</b>

Table 9: Estimated costs of the Rights Issue.

Placing commission of 1.5% of the value of the successful applications payable to Stockbrokers and Investment Banks in respect of the PALs completed and signed by Qualifying Shareholders or Renouncee or prospective investor, bearing the stamp of an Authorized Agent. If the Authorized Agent is a bank, the placing commission stands at 1.00% of the successful applications.

**1.7 LOAN FACILITIES.**

- i) Any Qualifying Shareholder and/ or any purchaser of the Rights may approach a licensed financial institution or bank for a loan to facilitate participation and payment of the full amount due in respect of the Rights Issue.

- ii) Please note that the extension of loan facilities by any commercial bank or financial institution is a decision to be made by such bank at its sole and absolute discretion in addition to the Qualifying Shareholder complying with the terms and conditions of the loan facilities.
- iii) Banks or financial institutions which have extended finance to a Qualifying Shareholder or Renouncee or prospective buyer for the purchase of Provisional Rights or Renounced Rights, must submit the cheque for the full amount due and attach the duly completed and signed PAL and Form E (if applicable), together with a letter signed by authorized representatives of the bank addressed to the Registrar requesting for the share certificates for the applicable New Shares to be submitted to the bank, to reach the Receiving Bank, by 3.00p.m on 28<sup>th</sup> Sept 2007, either directly or through any Authorized Agent.
- iv) Where Qualifying shareholders or Renouncees with CDS Accounts are financed by a bank which intends to accept the New Shares as collateral, the following procedure shall be followed.
  - (i) The bank shall write to the CDSC Limited making it clear that it requires the New Shares to be pledged as collateral until such time as CDSC Limited is instructed in writing to the contrary by the bank, through an Authorized Agent, to lift such pledge
  - (ii) Upon completion of the **Financing Form (Part VI)** and **CDS Form. 5** prescribed by CDSC Limited; all pledges will be effected through entries in the Central Depository maintained by CDSC Limited. The pledging of such shares will at all times be subject to Rule 55 of the Central Depository Rules, 2004.
  - (iii) For every financed application that goes to the CDSC, the financier or the buyers of rights pay CDSC Limited Kshs 1,000.00 which will accompany the CDSC forms.

## 2. INFORMATION ON OLYMPIA CAPITAL HOLDINGS LIMITED.

### 2.1 HISTORY

Olympia Capital Holdings Limited, formerly Dunlop Kenya Limited (DKL) was initially established as a branch office of Dunlop United Kingdom (UK) in Kenya in 1968 then a British multinational to carry out the business of manufacture of vinyl floor tiles, adhesives and sports equipment. In 1970, the company was formally registered in Kenya and got listed at the Nairobi Stock Exchange in 1976. In 1989, Dunlop (UK) was acquired by BTR Worldwide with the latter gaining controlling stake of DKL. However in 1996, BTR decided to sell its interest in Kenya to local investors. In 1999, Dunlop Industries Limited (DIL) was registered as a fully owned subsidiary of DKL to continue with the business of the parent company and allow DKL to concentrate on investments. Since inception, DIL remains the only local manufacturer of PVC floor tiles in the East African region. In 2004, DKL changed its name from Dunlop Kenya Limited to Olympia Capital Holdings limited.

Olympia Capital Holdings Limited (OCHL), which is listed in the Nairobi Stock Exchange, now owns 100% Dunlop Industries Limited in Kenya, 27.5% of Avon Rubber Limited in Kenya. In 2002, the company established Olympia Capital Corporation Limited (OCCL) in Botswana as a holding company of Kalahari Floor Tiles (KFT), the sole manufacturer of Vinyl Floor Tiles in Botswana. Olympia acquired a loss making KFT from Rikett International AS and began the process of turning the company around. Today, KFT is profitable, has a dominant share of the Vinyl Floor tile market in Sub-Saharan Africa and has expanded its product line to include PVC and aluminum window and floor frame. KFT has an installed manufacturing capacity of 900,000M<sup>2</sup>. They produced tiles and sheeting to South African Bureau of Standards (SABS) and Botswana Bureau of Standards (BOBS).

In 2005, Olympia Capital Corporation acquired all the assets of Botswana Fine Industrial Chemicals (BOTFIC) (Pty) Limited, a cleaning and hygienic chemical manufacturing company based in Gaborone. Since the acquisition, the company has operated as a division of Kalahari Floor Tiles. In 2006, Olympia Capital Corporation acquired 74% of Plush Pty in South Africa, a company that manufacturers and distributor of curtain trucking and related products. Plush Pty sells both Plush and Yokota branded products to the major chain store groups (such as pick 'n pay and shop rite checkers) and the major hardware chain store groups (such as builders warehouse and mica) and the independent retail hardware outlets.

In March 2007, OCCL did a rights issue in Botswana where it was able to raise about Pula 10,657,000 (Kshs 122million) in Botswana local currency. The proceeds of the rights issue were aimed to be used at expanding the business in the Southern Africa market, repay part of the outstanding loan as well as to serve as the working capital for the company.

### 2.2 SHAREHOLDING STRUCTURE IN THE COMPANY.

As at 31<sup>st</sup> December 2006, the top ten shareholders of Olympia Capital Holdings Limited were as follows:

Name	No. of shares	% Shareholding
Dunlop Properties Limited	3,799,900	37.99
Croxley Properties Limited	816,844	8.16

Karen Enterprises Limited	692,830	6.92
CFCFS Nominees A/c K.14	425,600	4.25
Nairobi Nominee Ltd A/c Rakesh Gadani	424,257	4.24
Eliud Matu Wamae	179,672	1.79
Suboth K. Gadani	178,638	1.78
Scottlink Limited	173,900	1.73
Jagden Kristians	165,700	1.65
Prakash Kantilal Gadani	150,000	1.50

Table 10: Top ten shareholders of the company.

### 2.3. DISTRIBUTION OF SHAREHOLDERS

	Number of shares held	Number of shareholders	Percentage (%) shares held
Less than 500	126,036	491	1.26
501 – 5,000	1,069,424	585	10.69
5,001 – 10,000	408,376	54	4.08
10,001 – 100,000	1,371,385	59	13.71
100,001 – 1,000,000	3,224,879	10	32.25
Above 1,000,000	3,799,900	1	38.00
	<b>10,000,000</b>	<b>1,200</b>	<b>100.00</b>

Table 11: Distribution of the shareholders.

### 2.4 CORPORATE GOVERNANCE

The Board is accountable to the Company's shareholders for good governance.

#### 2.4.1 BOARD OF DIRECTORS AND COMMITTEES

The main Board of directors consists of Chairman, Dr. C. W. Obura, the Managing Director, Mr. Michael Matu and three non – executive Directors. The Group has five subsidiary Boards, each of which comprises the Managing Director and at least one non – executive main Board member and two non – executive members. Owing to the investment holding nature of the Company, where operational details are handled by the subsidiary Boards of the company, the functions of the Audit Committee, Remuneration Committee and Nomination Committee are handled by the main Board.

#### 2.4.2 OTHER BOARD INFORMATION

The key functions of the Chairman are to conduct board meetings and meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in board discussions. The Chairman is required to develop and lead business strategies and processes to enable the Group's business to meet the requirements of its shareholders.

### 2.4.3 BOARD APPOINTMENTS

Appointments to the Board of Directors are considered at the Annual General Meeting (AGM).

### 2.4.4 RE-ELECTION OF DIRECTORS

Any Director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek re-election by shareholders at the next Annual General Meeting. The articles also require that one third of the Directors retire by rotation each year and seek re-election at the Annual General Meeting. The Directors required to retire will be those in the office longest since their previous re-election and this will usually mean that each Director retires at least every three years, although there is no absolute requirement to this effect. In order to comply with the Corporate Governance Guidelines, but avoid the expense of amending the Company's articles to deal with this single point, the Board has resolved that each Director will retire at least once every three years, even if this is not strictly required by application of the provisions of the Articles.

## 2.5 RELATIONS WITH SHAREHOLDERS

The Board recognizes the importance of good communication with all shareholders. The Annual General Meeting (AGM) as well as published annual reports and financial statements are used as an opportunity to communicate with all shareholders. The Company always gives its shareholders the minimum notice period of the AGM as defined in its Memorandum and Articles of Association and in compliance with the Companies Act.

Shareholders have direct access to the company, its Company Secretary and the Shares Registrar who responds to the correspondence received from the shareholders on a wide range of issues.

## 2.6 DIRECTORS' SHAREHOLDING IN OLYMPIA CAPITAL HOLDINGS LIMITED

As at 31<sup>st</sup> December, 2006, the beneficial equity interests of Olympia Capital Holdings Limited Directors in Olympia Capital Holdings Limited were as follows:

Directors	Direct & indirect Equity Interest	Shareholding %
Dr. CW Obura	1,412,815	14.1%
Matu Wamae	1,765,490	17.6%
Michael Matu	531,691	5.3%
Mucai Kunyiha	189,995	1.9%
Mwangi Wamae	193,794	1.9%
Suresh Lakhani	113,997	1.1%

Table 12: Directors shareholding in the company.

The above table represents indirect beneficial equity interest since these directors are shareholders in the companies that have invested in OCHL. However, Mr. Matu and Mr.

Wamae have direct equity interest in the company as shown in the table in page 26 section 2.2 of this Information memorandum.

## 2.7 DIRECTORS' INTEREST IN COMPANY TRANSACTIONS.

The Directors do not have direct interest in the company's transactions.

## 2.8. HUMAN RESOURCES

The company has the following members of senior management team, Michael Matu as Group Chief Executive Officer (GCE), Mr. Shyamal Bhavani, Botswana Country Manager (BCM), Mr. Gerry O'Donnell, South Africa Country Manager (SACM), Mr. Francis Wanyanga Kenya Country Manager (KCM) and Miss Mercy Migwi as the Group Accountant (GA)

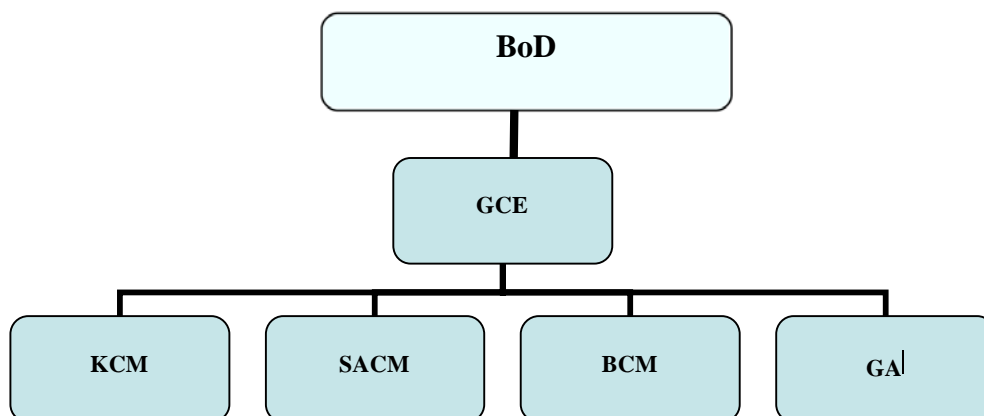


Figure 2: The organizational structure.

### Mr. Michael Matu (Group Chief Executive)

Mr. Matu has a Bachelor of Arts in Management and Economics from the University of Guelph, Canada, a Graduate Diploma in Applied Management from McGill University, Canada and an MBA from the United States International University, Nairobi. He is the CEO of Olympia Capital Holdings Limited and Director of Dunlop Properties Limited, Kalahari Floor Tiles – Botswana, Gaborone Enterprises – Botswana, Olympia Capital Corp – Botswana, Plasrik SA – South Africa and Plush Products (Pty) - SA.

### Mr. Shyamal Bhavani (Botswana Country Manager)

Mr. Bhavani is a Graduate in Chemical Technology from Osmania University India, and a Post Graduate Diploma in Plastics Engineering from CIPET, India. Mr. Bhavani has been with KFT since 1993 where he joined as the Factory Manager. Prior to that, he was the Production Manager at Supreme Industries Ltd in Bombay, Process Engineer at XPRO India in New Delhi and Manager at Rikvin Floors Ltd in India.

### Mr. Francis Wanyanga (Kenyan Country Manager)

Mr. Wanyanga is a graduate in Bachelors of Science (chemistry and mathematics) from University of Nairobi. He has also attended various professional courses including Chartered Institute of Management (CIM), the ISO 9001, the Environmental Management Systems

(EMS) training, job evaluation and finance for non finance managers in Kenya. He is the general manager of the Dunlop industries limited and oversees the day to day running of the company. Previously, he was the technical manager in charge of manufacturing at Twiga Chemicals Limited.

**Mr. Gerry O'Donnell** (South African Country Manager)

Mr. O'Donnell is the Managing Director of the Plush Products (pty) Limited in South Africa and he over sees the overall operations and strategy implementation of the company. He holds a Bachelor of Commerce and a Masters in Business Leadership degree from South Africa. Previously, he worked as the managing director at Coralux group in Johannesburg which deals in home improvement products before forming the Coralux group. Previously, he was the National Operations Manager of the PG Group, a company that specializes in manufacturing and distribution of glass products across South Africa.

**Mercy Migwi** (Group Accountant)

Miss Migwi holds a Bachelor of Science (International Business Administration) from the United States International University in Nairobi (USIU) and is a qualified accountant who holds a Certified Public Accountant qualification. She is the group accountant and Personal Assistant to the Chief Executive Officer in Kenya. She coordinated all the finance activities of the group prior to the current position and was also the chief accountant of the Dunlop Industries Limited in Kenya.

## **2.9 GROUP CORPORATE STRUCTURE - SUBSIDIARY & ASSOCIATE COMPANIES.**

Olympia Capital Holdings Limited (OCHL) is a holding company of one subsidiary and five associate companies. These comprise of Olympia Capital Corporation Limited (OCCL) incorporated in Botswana, Kalahari Floor Tiles (Proprietary) (KFT) Limited in Botswana, Plush (Proprietary) Limited in South Africa, Dunlop Industries Limited (DIL) in Kenya, Avon Rubber (K) Limited in Kenya and Gaborone Enterprises (Proprietary) Limited in Botswana.

The following organogram illustrates these relationships.

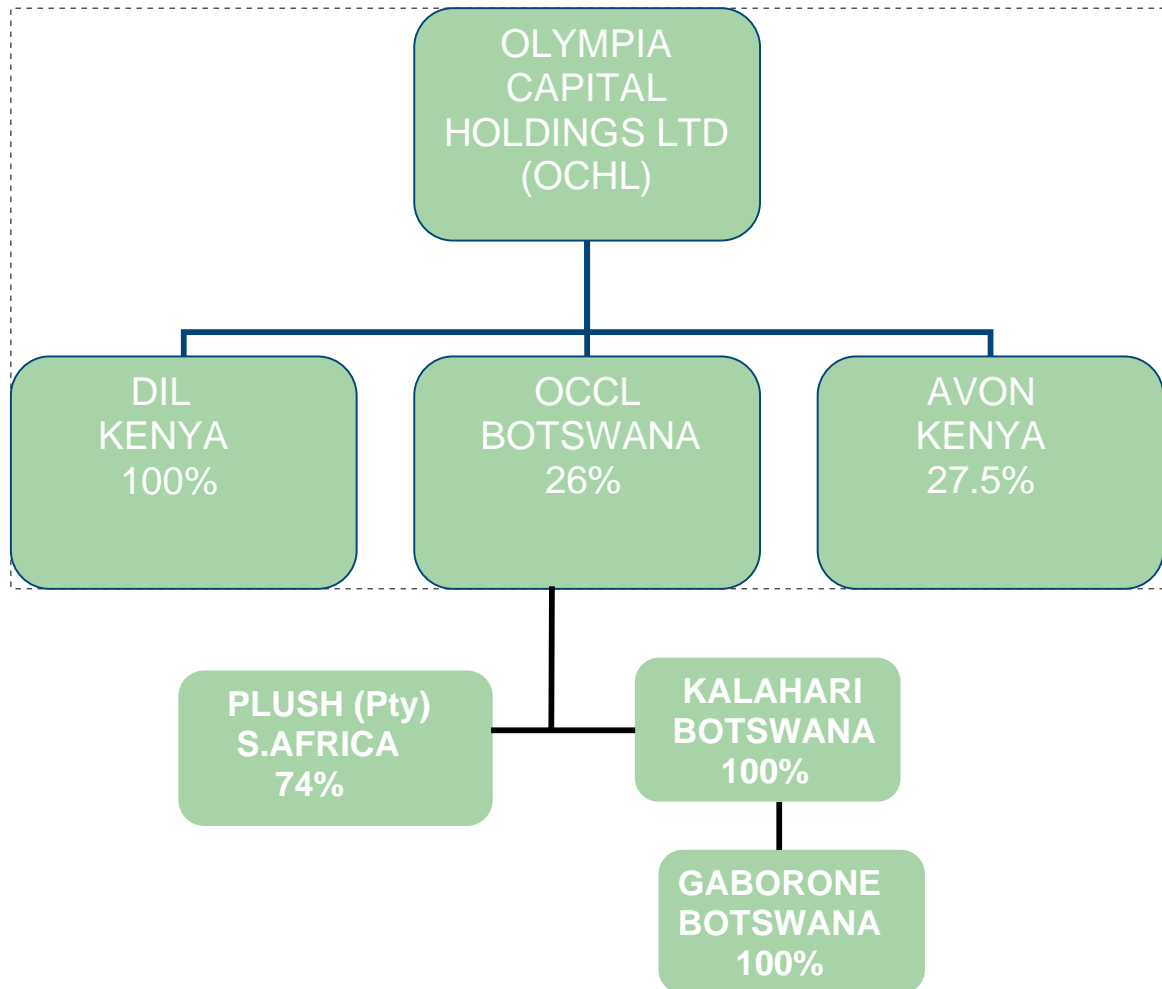


Figure 3: The group structure.  
**Source:** Olympia Capital Holdings Limited.

## 2.10 CURRENT BOARD OF DIRECTORS.

A summary of the Group's directors' details as of the date of the Information Memorandum is as follows:

Name	Age	Nationality	Physical Address.	Status	Appointment Date
Dr. Chris W Obura	70	Kenyan	Howse & McGeorge Laborex, Factory Street, Industrial Area.	Chairman	1997
Michael M Matu	38	Kenyan	Olympia Capital Holdings Limited, 2nd Floor Avon House, Enterprise Road, Nairobi.	Chief Executive Officer	1996
Mucaï Kunyiha	35	Kenyan	Cooper Kenya Limited, Cooper Centre, Kabete.	Non-Executive	1998
Eliud M. Wamae	70	Kenyan	Ngong Hills Hotel, Ngong Road, Nairobi	Non-Executive	2003
Suresh A. Lakhani	58	Kenyan	Mineral Mining Corp, Kampala road, Industrial Area, Nairobi	Non-Executive	1998
Mwangi Wamae	41	Kenyan	Stamford, Connecticut, USA	Non-Executive	2007

Table 13: Board of Directors

### 2.10.1. Brief Profile of the Directors and the Secretary.

#### **Dr. Chris W Obura- Chairman.**

Dr. Obura is a retired dentist. He is the Chairman of Olympia Capital Holdings Limited. He is also a director of Express Kenya Limited, which is listed at the Nairobi Stock Exchange, and other unlisted companies including Lion of Kenya Insurance Company, Howse and McGeorge Limited and Nairobi Hospital Association.

#### **Mr. Michael M. Matu – Chief Executive Officer.**

Mr. Michael Matu has a Bachelor of Arts in Management and Economics from the University of Guelph, Canada, a Graduate Diploma in Applied Management from McGill University, Canada and an MBA from the United States International University, Nairobi. He is the CEO of Olympia Capital Holdings Limited and Director of Dunlop Properties Limited, Kalahari Floor Tiles – Botswana, Gaborone Enterprises – Botswana, Olympia Capital Corp – Botswana, Plasrik SA – South Africa and Plush Products (Pty) - SA.

#### **Mr. Mucaï Kunyiha- Non Executive Director**

Mr. Kunyiha is a qualified Lawyer. He holds an LLB from University of Wales, Cardiff in the United Kingdom and is a member of the Law Society of Kenya. He also holds a Masters in Business Administration (MBA) from Ashridge, in UK. He is a non-executive Director of Olympia Capital Holdings Limited and the Chief Executive Officer of Cooper Kenya Limited where he previously served as the General Manager in charge of Operations for many years

**Mr. Eliud M Wamae- Non –Executive Director (alternate)**

Mr. Wamae is an Economist by profession. He graduated from the University for New Delhi in Bachelors of Arts in Economics. He was a Director of the ICDC for a decade prior to the being a Senior Manager at the Central Bank of Kenya. He also served as the internal auditor for the East African Community. Currently, he is an alternate non Executive Director of OCHL and the Chairman of New KCC Ltd, Mountain Lodges Limited and Ngong Hills Hotel Limited.

**Mr. Suresh A Lakhani- Non-Executive Director**

Mr. Lakhani is a lawyer. He has a law (LLB) degree from London School of Economics and a Masters in Business Administration (MBA) from Cornell University, United States of America. He is the Managing Director of Mineral Mining Corporation in Nairobi and a shareholder in several businesses. He also serves as a non Executive Director in all OCHL Botswana and South African businesses.

**Mr. Mwangi Wamae - Non-Executive Director**

Mr. Mwangi Wamae is an electrical engineer. He has a Bachelor of Science (Electrical Engineering) from Syracuse University in New York, a Master of Science (Operations Research and Information Systems) from London School of Economics (LSE), and an MBA (Finance) from Cornell University in USA. He has been an associate with McKinzie and Company in Johannesburg, South Africa, senior manager-corporate development with Lucent Technologies in New Jersey, USA, vice president – corporate development with i3mobile Limited in Connecticut, USA and a director –corporate development with Pitney Bowes Inc. in Connecticut. He is currently the vice president at Factset Research Systems in New York, USA.

**Lina Kantaria (Company Secretary)**

Ms. Kantaria is Certified Secretary by Profession and a fellow member of the Institute of Chartered Secretaries and Administrators. She holds a Bachelor of Commerce from the University of Bombay, India, Chartered Secretary qualification from the Institute of Chartered Secretaries and Administration, UK. Currently, Ms. Kantaria is a sole partner of Commercial Registrars and company secretary to Olympia Capital Holdings Limited. She previously worked as the company secretary for Ashwin Brothers Public Accountants and Accountant with Inamdar & Company. She is a former member of Codes and Ethics Committee and Corporate Governance of the Institute of Public Secretaries of Kenya

### **3.0 THE BUILDING AND CONSTRUCTION INDUSTRY OVERVIEW**

The Kenyan Real Gross Domestic Product (GDP) expanded by 6.1% in 2006 compared to a growth of 5.7 per cent in 2005. Key sectors supporting this growth were Hotels and Restaurants that grew at 14.9%, Wholesale & Retail Trade at 10.9%, Transport and Communication at 10.8%, Manufacturing at 6.9%, Building & Construction at 6.3% and Financial Intermediation at 5.5%. Specifically, the Cement consumption increased by 12.3% from 1,572.5 thousand tons in 2005 to 1,765.8 thousand tons in 2006. The Index of government expenditure on roads increased from 62.6 in 2005 to 209.0 in 2006, largely driven by sevenfold increase in government allocation on roads.<sup>1</sup>

Following the rapid economic growth in Kenya, there has been a boom in the construction industry where growth is challenging the inadequate capacity in the commercial and residential sector. While the Kenyan business is currently in the flooring side of the building sector, we anticipate the broadening of the product portfolio by way of start ups and acquisitions, which would allow the company to both broaden and deepen its position in the building material sector.

The South African economy has shown strong growth over the past twelve months and the prospects continue to appear promising in the near future. GDP growth has averaged 3.4% in the last decade and has grown to over 4.5% in the last few years. The government is aiming at boosting economic growth to 6% by 2010 and plans to invest R372 billion in the transport, power and housing infrastructure over the next 3 years. Building and Do-it-Yourself (DIY) restoration in the residential sector has moderated in the last 6 months.<sup>2</sup>

The growth in building activity, although continuing at a relatively satisfactory pace, is gradually moderating. Underlying factors responsible for this situation include, among others, the deterioration in the affordability of housing as a result of the steep increase in house prices and building costs, fairly widespread shortages of skilled labour and building materials, as well as bottlenecks in the supply of bulk services by certain local authorities. Such factors have resulted in a moderation in the robust pace of building activity that has prevailed over the past two years. The weakening rand and the higher international oil price are also affecting South Africa's ability to procure sufficient building materials.

#### **3.1 Background to the industry**

In South Africa, there is strong economic growth, with many new players having entered the homeowner market. Low interest rates and a strong economy have seen many existing homeowners invest in enhancing their furniture fittings and decor. The introduction of "lifestyle décor" into homes has been a global trend marketed through magazines and TV where consumers have invested in their biggest asset, their homes. The retail market has changed dramatically over this period. In the past, independent hardware stores, multiples and chains, were the only channels of distribution to purchase your DIY products. Today, home improvement centers such as Builders Warehouse and Mica Warehouse have become specialists in this field, making a marked shift in consumer purchasing patterns.

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<sup>1</sup> Kenyan Budget speech, 2007/2008, Central Bank of Kenya monthly economic review, 2006.

<sup>2</sup> Marketing Department, Plush (pty), South Africa

The Massbuild Group, which incorporates Builders Warehouse, Game, Dion, Makro, Federated Timbers, Servistar and Delarey are now dominant in this field of retailing. Hardware shops and home improvement centers are now places to visit for new ideas and concepts as opposed to searching for solutions to solve problems in the home.

Cut-to-measure rails, poles, rods and blinds, in various sizes and colours, are also sold ex factory into the 'trade market' and are applied through decorators and contractors into both new and existing homes.

In Kenya, Dunlop Industries Limited (DIL) carries out the business of manufacture of PVC based or vinyl floor tiles and is the only fully fledged such manufacturer in Kenya. DIL also manufactures PVA adhesives and Rubber Solution for the repair of bicycle tube punctures.

The flooring industry in Botswana is dominated by Kalahari Floor Tiles (Pty) and few other small domestic players. Most construction in the country is done by the Government of Botswana as opposed to private developers. However, to fully implement the housing needs of the country according to the Vision 2016, the government of Botswana will be active in the building and construction industry.

Most raw materials in the industry are sourced from South Africa and China. It is estimated that by 2016, the country will be self reliant in supply of industrial chemical needs according to the projection of the Botswana Vision 2016 project.

### **3.2 Current Industry Dynamics.**

The building and construction industry is growing at a predictable rate and is mostly being influenced by the spending power of households. Most African economies are still not able to turn the strong residential demand into an economic driver in the same manner that the economies of the United States and Great Britain have been able to do. Those economies have been underpinned by the strength of the residential market, and provide a model worthy of emulation. The strengthening of the South African currency has turned into a boom to the construction industry through capitalization on import of raw materials.

The construction industry in South Africa delivered an output in excess of R57 billion per annum in 2002, of which approximately 30% came from public sector orders and tenders, 13% from public corporations and 58% from the private sector. This constitutes almost 30% of total investment in South Africa. The 2004 Medium Term Expenditure Framework (MTEF) places increased emphasis on infrastructure provision at provincial and local level. The three-year medium term budget makes provision for an increase in capital expenditure to 6.4 percent of GDP in 2004/5. South Africa, which the United Nations has indicated has the second biggest income gap between rich and poor in the world (after Brazil), needs to grow at more than 6 percent a year to cut unemployment. This requires construction input to possibly double its capacity over a 10-year period.<sup>3</sup>

The South African national spending priorities include infrastructure to support industry development, i.e. making sure that the public infrastructure is in place to support industrial investment. This objective requires the highest level of thinking and co-ordination between government and industry. Infrastructure spending is growing at 6% per annum, according to National Treasury.

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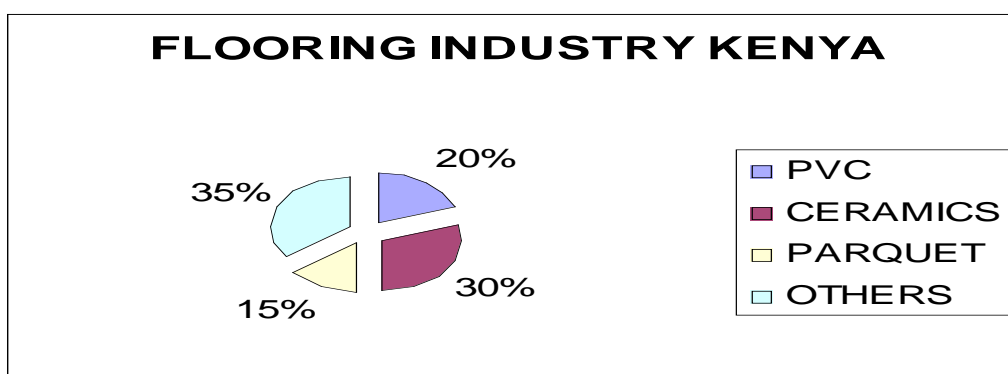
<sup>3</sup> Marketing Department, Plush (pty), South Africa.

The South African Property is likely to receive a major boost from 2010 - if the World Cup is a success. Paris "France" property prices escalated by as much as 55% over a one year period before and after the 2002 World Cup and property across the city made astronomical gains with the prices of apartments close to some of the stadiums rocketing by over 100% over the same period. Some neglected neighborhoods in Paris were completely rejuvenated. The same will happen in South Africa as the property is still undervalued and the macroeconomic outlook is very favorable. This will provide a huge market for the Olympia subsidiaries in Botswana and South Africa as construction and renovations in preparation for the event are on going.

The following is a display of the competitive analysis of the products being sold across all the subsidiaries. This analysis has been done according to the country where the subsidiary is followed by the market share of the product Vis a Vis other competing or similar products.

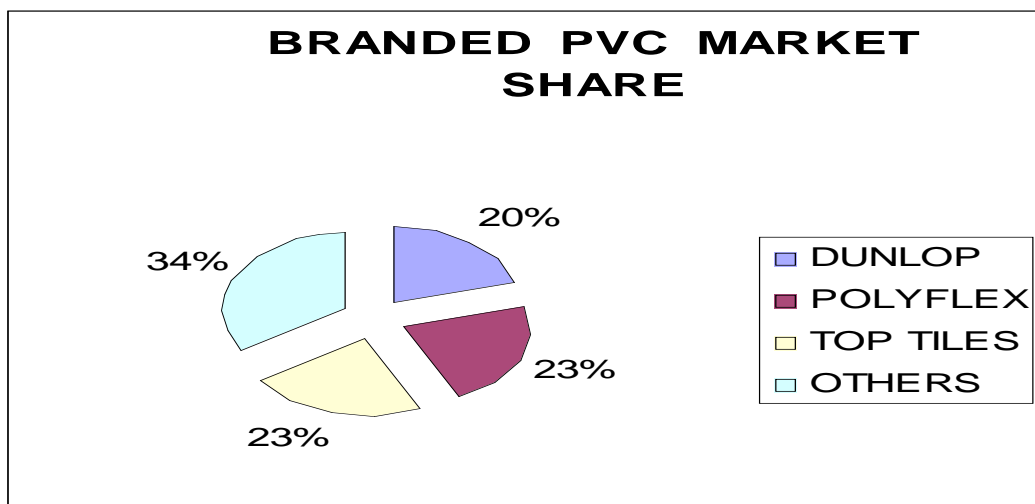
### 3.2.1 Competition Analysis in Kenya

The flooring industry in Kenya is very competitive with one local manufacturer and other direct importers of flooring accessories. Dunlop carries out the business of manufacturing PVC based or vinyl floor tiles and is the only fully fledged such manufacturer in Kenya. DIL also manufactures PVA adhesives and Rubber Solution for the repair of bicycle tube punctures The PVC tiles constitute 20% of the total tile consumption in Kenya while the balance of the 80% is divided among Ceramics, 30%, Parquet 15% and the others (granite, marble, carpet & terrazzo) 35%. Most competition in Vinyl floor tiles in Kenya comes from imports mainly from Egypt and the Asian countries like China and UAE. Rubber competition comes mainly from India where the bicycle industry is widely developed.



**Source:** Dunlop Marketing Dept

The total PVC market in Kenya is about 600,000M<sup>2</sup>. Dunlop is the sole manufacturer and distributor of locally branded PVC tiles and controls at least 20% (120,000M<sup>2</sup>) of the branded PVC market. The other key distributors of the branded PVC tiles in Kenya are RAMCO, KENBRO and Dunlop. KENBRO imports and distributes "Polyflex" as sheet cuts. RAMCO Group imports and distributes "Top Tiles" from Egypt. Marley Floor Works, a South African manufacturer of "MarleyFlex" brand is slowly disappearing from the market. We also have the cheap and unbranded Chinese tiles which are available in the local market

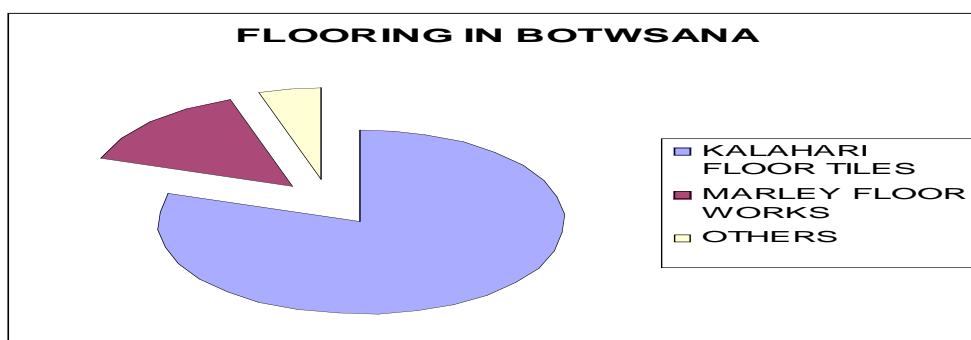


Source: Dunlop Marketing Dept

### 3.2.2 Competitive Analysis in Botswana

In Botswana, Kalahari Floor Tiles is the only local manufacturer and distributor of the flexible and semi flexible vinyl and quartz floor tiles. However, in the whole southern African region, there are only two main manufacturers and distributors of tiles which are KFT and Marley Floor works from East London, South Africa. Therefore the only competition in the Botswana comes from the only competitor who operates over 1,000 kilometer south of Johannesburg as opposed to KFT operating from Gaborone City which is 400 kilometers from Johannesburg. The two companies markets are dominantly the wider Johannesburg construction sector. KFT however, has an advantage of being the most nearer and only manufacturer to the government of Botswana.

There is no threat from imports as Botswana is a landlocked country which is about 900km from the nearest sea port of Durban, in South Africa. This has been the main advantage to KFT in distribution of their range of products in the Southern Africa region.



Source: Kalahari Floor Tiles (Pty) Marketing Department

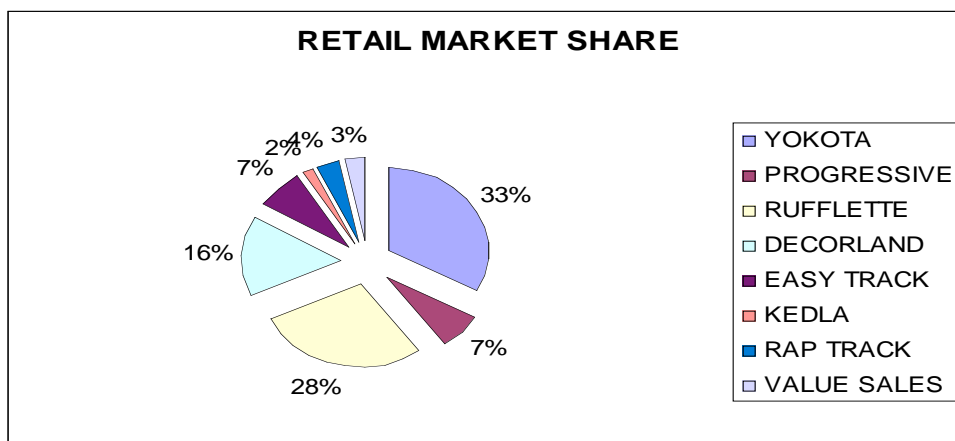
### 3.2.3 Competitive Analysis in South Africa

South Africa construction sector has a wide range of players. Plush manufactures and distributes a complete range of related products, while the competitors mostly specialise on one or two lines of products.

Below is the analysis of the competitors of different lines of products that Plush is involved in either manufacturing or distribution in South Africa.

### **3.2.3a The Blinds Market**

These are a range of ready-made bamboo, wood and aluminum Venetian blinds imported from China. The company distributes cut-to-measure blinds in a wide range of colours and sizes, through specific retail boutique outlets in Builders Warehouse, Mica and Pick n Pay supermarket warehouses. The figure below depicts the market share statistics.

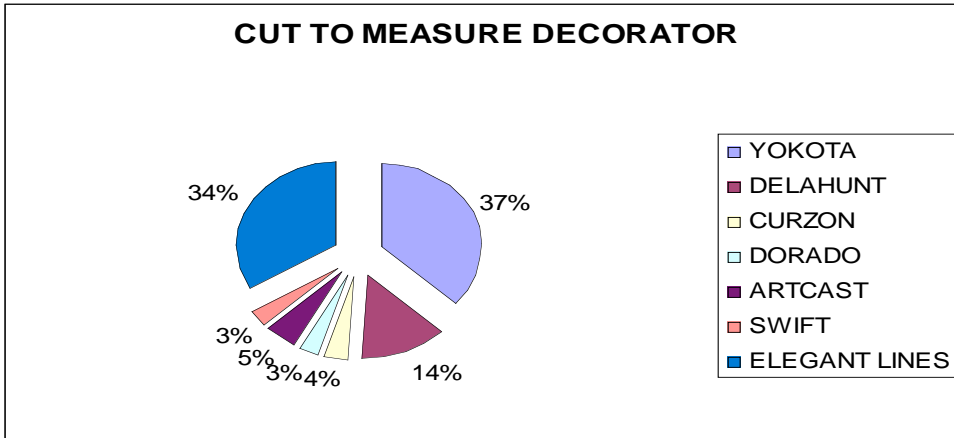


Source: Plush Products (Pty) Marketing Department

Plush Products (Pty) Limited controls at least 33% of the total retail market through its “Yokota” brands

### **3.2.3b CURTAINS MARKET**

The company deals in a select range of ready-made and made-to-measure curtains that are purchased and sold through the Yokota retail boutique outlets in Builders Warehouse, Mica and Pick n Pay supermarket warehouses.

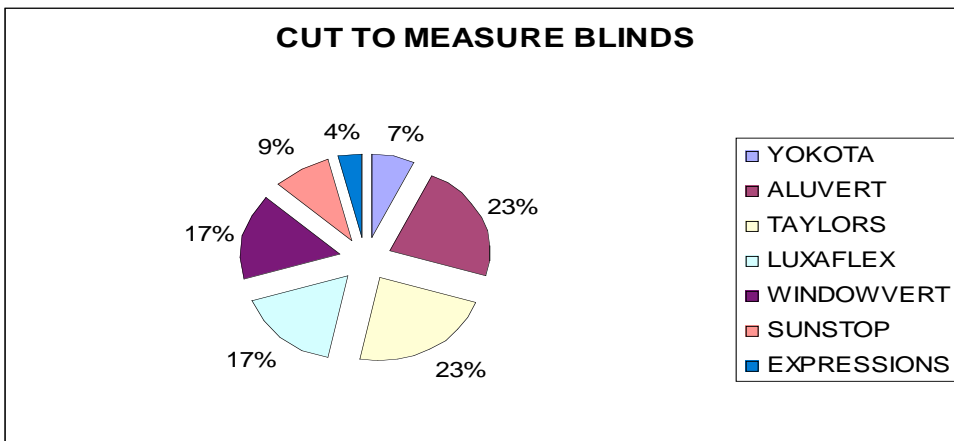


Source: Plush Products (Pty) Marketing Department

Plush Products (Pty) Limited controls at least 37% of the market share in the cut to measure decorators.

**3.2.3c Curtain Track and other Accessories**

The company deals in a specific range of window rails and accessories that are made as pre-packs to all retail stores. A wide range of window rails and accessories are made to order and distributed through the decorator and contractor market.



Source: Plush Products (Pty) Marketing Department

Plush Products (Pty) Limited controls at least 7% of the market share in the Curtain Track and other Accessories.

### **3.3 DOMINANT ECONOMIC ISSUES**

#### **3.3.1 Interest Rates.**

The implementation of financial sector reform within the Structural Adjustment Program framework in the early 1990s' marked the end of controlled interest rate regime in Kenya. The reduction in Cash Ratio Requirements (CRR) by the Minister of Finance in 2003 led reduction in bank interest rates. Average lending rate declined from an average of 18% to current rate of 13.79%. This made sources of overdraft affordable to the company.<sup>2</sup>

#### **3.3.2 Economic Growth and Profitability**

Due to improvement in performance of the economy, the construction industry has recorded a remarkable growth the past three years. The construction industry is generally profitable due to the high demand of the housing units with low supply in the three economies. This has given the builders a strong pricing power where the costs of housing units are more determined by the constructor. This is expected to continue in the near future as the demand outstrips supply.

#### **3.3.3 Skilled labour**

The construction industry is dominated by unskilled labour where most of the workers are not qualified. This has hampered the growth of the industry and likely to affect the acceleration of project completion and standard of work.

#### **3.3.4 Local currency Stability**

The construction industry is directly affected by how the foreign currency and exchange trades with the local units. In Kenya, the strengthening of the shilling has continued and this is affecting the construction as more housing products imported become cheaper than the locally produced. This has lead to flooding of house improvement products from the Asian countries to our domestic economies. The Pula has continued to strengthen against the major currencies and this is affecting the export turnovers in KFT.

#### **3.3.5 Inflation**

The high inflation has had an adverse effect in the mortgage industry in terms of the consumer purchasing power. As the inflation goes up, it tends affect the interest charged by the banks and this always end up in rates adjustment for the borrower. On the production front, there is always a big danger that the cost of finished goods that are unsold will be eventually sold a lower price in the long run. This means that for the OCHL to beat inflation, all or most of their goods must be sold with a reasonable period.

<sup>2</sup>.Central Bank of Kenya annual Bank Supervision Report( 2004, 2005)

### **3.4 KEY CHANGE DRIVERS IN THE SECTOR**

The structure of the construction industry in Kenya, Botswana and South Africa is rapidly changing. Major forces shaping the structure of the industry and competitive advantage of individual players are;

#### **3.4.1 Retail Market Growth**

There is a huge market for the vinyl floor tiles, window glasses and panels and other related products as more low to medium households strive to live in better houses. This has been attributed to the strong economic growth that has empowered people to have better quality of life. However, there's a need to form stronger and close links with international companies in Europe and America, which do the same kind of business.

New housing and sheltering technologies continue to improve information, service levels and general efficiencies of the manufacturers and distributors of the housing construction industry. Therefore, more retailers have more knowledge and power through the consumer data and information they collect. However, these consumer tastes and changes in fashion need to be managed carefully as they move through short life cycles. This means that more stock must be liquidated quickly as fashions change.

#### **3.4.2 Building of New Housing Units**

There has been an increase in construction of low to middle class houses which has led to a huge demand for building and construction products. Kenya has recorded a significant growth in the construction sector in the last five years. This is evident from the huge cement consumption in the local market as well as the neighboring countries. The demand for steel, construction poles/timber from the generation companies like Eskom and Kenya Power and Lighting Company (KPLC) is increasing. We expect this growth to continue as the reconstruction of the Southern Sudan gains interest and the UN Habitat program to upgrade slums in Africa takes attention.

All the above will lead to more demand on the OCHL products across the continent as the push from more low cost housing increases. The World Cup in 2010 will see large investments in both the transport and building infrastructure within South Africa. This has and will continue to increase the demand of the Yokota products

### **3.5 KEY SUCCESS FACTORS.**

The long term financial health and profitability of the company is highly dependent on the following factors: -

#### **3.5.1 Retail sector growth**

The retail sector deals with the following products; vinyl tiles, window panels, curtain blinds mirrors and showers, tracks, poles, rods and curtain tracks accessories. The company will benefit in the short and long run as more demand for the above products continues to grow.

#### **3.5.2 Competitive pricing**

The OCHL policy on pricing involves competitive and affordable pricing for quality products. This has given them a strong penetration at the low end market that is price

sensitive. Going forward there will be a need to check on negotiated trading terms, and management of margins.

### **3.5.3 Customer relationships**

The group has long term solid relationships with the key distributors in the construction industry. Key among them are Builders Warehouse and Mica Warehouse where both Pre-Packs and Cut to Measure products are sold

## **3.6 RECENT DEVELOPMENTS IN THE INDUSTRY**

A number of developments in the recent past both at policy and industry level will shape the future growth and financial health of the construction sector. In Kenya, the Minister for Finance in the 2006/7 budget speech outlined various policies aimed at reducing taxation on home ownership saving plan (HOSP). He also exempted income tax on interest earned on deposits up to a maximum of Kshs 3.0 (three million) by a depositor for the purposes of owning a permanent house. In 2007/8 budget, the government set industrial building allowance at 5% for builders of certain rental property. He also zero rated tax on goods and services to certain planned low income housing schemes. The move towards exempting tax from pension will spur growth in the housing sector.

In Botswana, the government is gearing towards achieving its vision 2016, where housing and shelter is one of the key targets. The government has set aside a sizeable amount of funding through the ministry of housing for the purposes of availing cheap housing for the citizenry. This will benefit KFT as they are the sole manufacturer of flooring essentials in Gaborone.

The SA economy has shown strong growth over the past twelve months and the prospects continue to appear promising in the near future. The GDP has averaged 3.4% in the last decade and has grown to over 4.5% in the last few years. The government is aiming to boost growth to 6% by 2010 and plans to invest R372 billion (Kshs 3.7 trillion) into transport, power and housing infrastructure over the next 3 years. However, building in the residential sector has moderated in the last 6 months due to increase in interest rates.

## **4.0 FINANCIAL PERFORMANCE OF OCHL**

### **4.1 Operational performance per country**

Olympia Capital Holdings Limited, its subsidiary and related companies achieved a 36% increase in turnover to Kshs 396 million. The group increased its net profit attributable to shareholders by 26% to Kshs 14.8 million. These results take into account all the costs of acquisition of the South African manufacturing company, Plush Products (Pty) Ltd, but only one month's results of the newly acquired business. They also take into account the weakening of both Southern African currencies that trade in, to the Kenya shilling.

#### **4.1.1 Kenyan Operations.**

Kenyan manufacturing operations achieved a 20% increase in top line and a shift from a loss to a marginal profit situation. The ownership of 27.5% of Avon, which is a property company will make an improvement to the profit contribution of the Kenyan operations and significantly improve our leverage capabilities. We expect similar improvement in the financial results of the operations in 2007.

#### **4.1.2 Botswana Operations.**

The Botswana operating business performed very well in 2006 and similar improvement is expected during the year 2007. Subject to the company regaining control of Olympia Capital Corporation, Botswana, Most of the changes are expected to come from the newly acquired operations in South Africa. The major subsidiary, Kalahari Floor Tiles (Pty) Limited recorded a 20% increase in sales turnover.

#### **4.1.3 South African Operations.**

Olympia Capital Corporation Ltd acquired 74% of Plush Products (Pty) Ltd, a South African Company that is involved in the manufacture and distribution of Curtain Tracks and related products, in December 2006. Only one month's turnover from Plush was consolidated. The sales turn over of Plush is expected to hit one billion Kenya shillings by the end of the year. Plush Products (Pty) Ltd intends to enter into the mirrors and shower doors distribution business that is expected to add about 20% to the top line in three years. Plush Products (Pty) Limited is already entering into new lines and looking into possible acquisition opportunities in South Africa.

## **4.2 FINANCIAL PERFORMANCE OF OCHL**

The company has been in the verge of improved performance after suffering the impact of trade liberalization and worsening economic environment in the 1990s. By year 2003 the turnover was Kshs. 274.45 million. In 2005 turnover rose nominally to Kshs 291.2 million rising to Kshs. 396.7 Million in 2006. We project this turnover to increase to Kshs. 1,424.4 Million in 2007 with the plans to procure a new tile manufacturing plant at a cost of US\$ 1 million through the parent company Olympia, in 2007. This will enhance the company's manufacturing efficiency and thus dominate the local market as well as the EAC region with price competitive products.

In 2001, Olympia Capital Holdings Limited got the opportunity to purchase controlling shareholding in Kalahari Floor Tiles (pty), a Botswana manufacturing company. To finance this transaction OCCL, a special purpose vehicle that had been established to buy KFT, put in equity of US\$ 100,000 and borrowed from Rikett As - China Limited US\$ 500,000.00. In 2005, the bank loan had been paid and OCCL was listed on the Venture Capital Board of the Botswana Stock Exchange. The IPO was 73.28% oversubscribed.

In 2006, the company purchased 27.5% of Avon Rubber Co Kenya Limited; a Nairobi based Property Company by way of converting short term advances. In December 2006, OCCL acquired 74% of the issued share capital of Plush Products Limited, a South African manufacturing company.

In March 2007, OCCL had a very successful Rights Issue on the BSE, essentially doubling its share capital and attracting institutional investors. Investec Asset Management Company underwrote part of the rights issue.

### **4.2.1 OVER VIEW OF THE SUBSIDIARY AND ASSOCIATE COMPANIES.**

Olympia Capital Holdings Limited (OCHL) is a holding company of one fully owned subsidiary; Dunlop Industries Limited (DIL) incorporated in Kenya and five associate companies; Olympia Capital Corporation Limited (OCCL) incorporated in Botswana, Kalahari Floor Tiles (Proprietary) (KFT) Limited in Botswana, Plush (Proprietary) Limited in South Africa, Avon Rubber (K) Limited in Kenya and Gaborone Enterprises (Proprietary) Limited in Botswana.

#### **4.2.1a Dunlop Industries Limited**

Dunlop Industries Limited (DIL) is 100% subsidiary of Olympia Capital Holdings Limited (OCHL). Its core business is manufacture of PVC floor tiles (Vinyl's), general-purpose adhesives and rubber solution for mending cycle tube punctures. Dunlop Industries carries out the business of manufacture of PVC; vinyl floor tiles as the only fully fledged manufacturer these products in Kenya. The company also manufactures PVA adhesives and Rubber Solution for the repair of bicycle tube punctures.

#### **4.2.1b Avon Rubber Company Limited.**

Avon Rubber Company is a privately owned property company. Olympia Capital Holdings Ltd acquired a 27.5% equity stake in this company on December 31, 2006. It owns three properties situated on the corner of Enterprise and Dar-es-Salaam roads Industrial Area.

Movable properties include MKI House, Avon House and Avon Centre occupying 3.3 acres of land and house. These properties are fully developed with 100,000 sq. Feet comprising of banks and offices with gross annual turnover of approximately 21 million. The company is planning to increase the overall value of the property by 'modernizing' the existing structures to effectively compete in the current property market at current market rates. This will likely push the annual turnover to about 24 million Kenya shilling.

#### **4.2.1c Olympia Capital Corporation Limited.**

Olympia Capital Holding Limited now holds 26% equity interest in Olympia Capital Corporation (Proprietary) Limited. In 2005, the subsidiary offered 734,000 ordinary shares of Pula .01 each by way of an initial public offering ("IPO") on the Botswana Stock Exchange at an issue price of Pula 0.80 representing 5.4% of the share capital prior to the IPO. The IPO of the shares closed on January 31, 2005, by which date the IPO was oversubscribed by 73.28%. The company is looking at increasing the rental income to cover 100 % of the rentable area.

#### **4.2.1d Plush Products (Pty) Limited.**

During the year, Olympia Capital Corporation (Pty) Ltd acquired a 74% equity stake in this company. The company has decided to enter into mirrors and shower doors distribution business as a strategic partner to PG glass under a leading South African brand known as Yokota. This move is expected to increase the annual turnover in excess of Kshs 80 million per year. Plush does about Kshs 700 million turnover in South Africa.

#### **4.2.1e Kalahari Floor Tiles (Pty) Limited**

The company is 100% owned by Olympia Capital Corporation (Pty) Limited. The company is the sole manufacturer of vinyl floor tiles in Botswana, producing approximately 55,000 square meters of floor tiles per month with a capability of producing up to 75,000 square meters per month. The flooring division contributed in excess 80% revenue in both top and bottom line for the company. The company's strategic plan is to diversify its source of revenue is to introduce new products and improve other existing divisions. The company renovated and improved its uPVC division. This has reduced costs and improved its profitability. The company is looking at relocating its chemical division so as to reduce its costs and work towards development of consistent and quality clients.

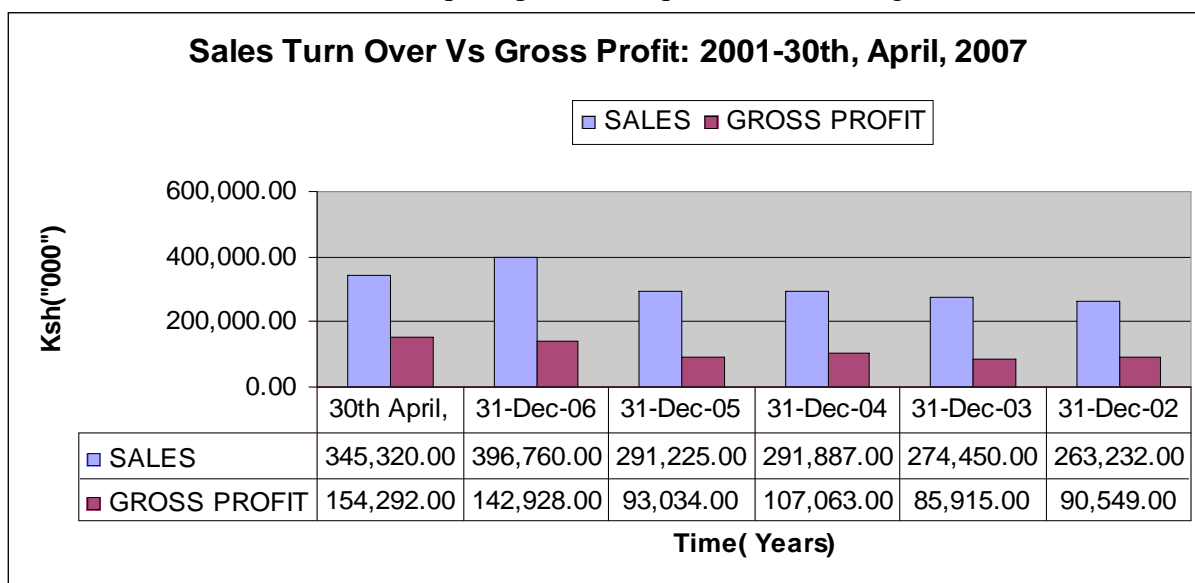
#### **4.2.1f Gaborone Enterprises (Pty) Limited**

KFT acquired a 100% equity stake in Gaborone Enterprise Limited, a property investment company that owns the plots where the factory is situated. The Company is looking into acquiring additional premises to house the chemical and other new divisions.

### 4.3 ANALYSIS OF THE GROUP FINANCIAL PERFORMANCE

#### 4.3.1 The Sales Turnover Vs the Gross Profit for the Company.

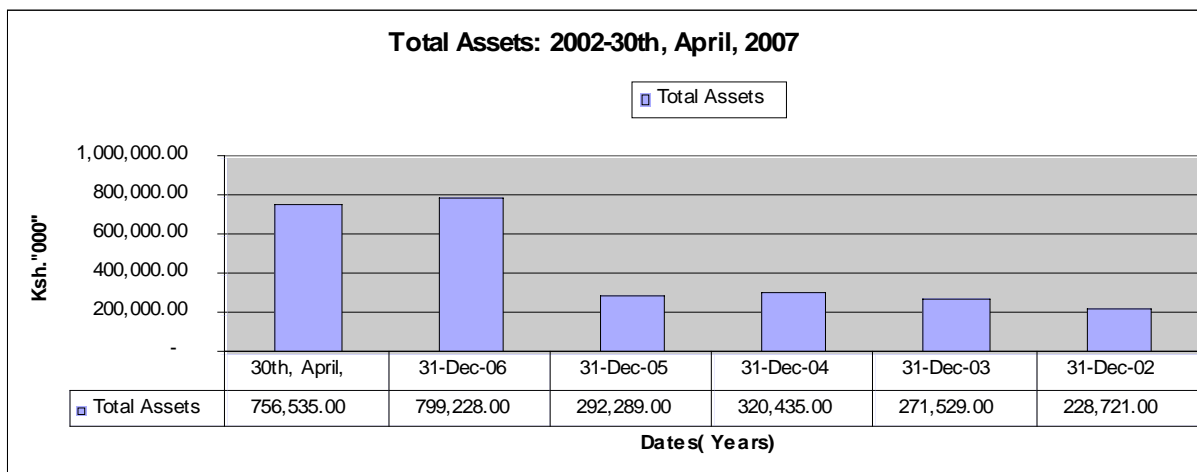
The group has continuously recorded increase in sales volume and gross profit for the past six years. The Company's gross profits have grown by 962.68% from Kshs. 13.45 Million in 2001 to Kshs. 142.93 Million. The company's sales volume has also increased significantly by 491.04% the past six years from Ksh.67 Million to the current Ksh.396 Million. The company is anticipating to grow these figures even higher with their continued operations in Botswana, South Africa and subsequent planned acquisitions and mergers



**Source:** Olympia Capital Holdings Limited Annual Reports

#### 4.3.2 Total Assets.

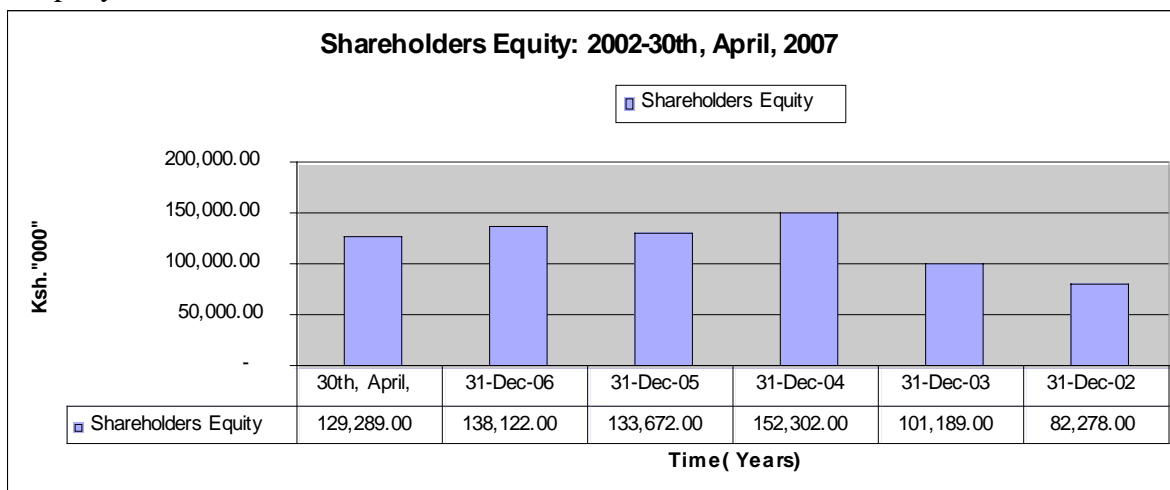
The company's total assets have been growing steadily from Kshs. 140Million in 2001 to Ksh.796Million by end of 2006. This growth has resulted from the company's acquisitions and mergers that it has participated in the past three years. The company anticipates the figure to continue growing with its planned expansion plans in the coming year.



Source: Olympia Capital Holdings Limited Annual Report: 2001-2006.

### 4.3.3 Change in Equity.

The company’s shareholders equity has been improving consistently growing by 78.22% from Ksh.77.5 Million in 2001 to Kshs. 138.12 Million in 2006. This has been as a result of improved performance of the company and re investment of the retained earnings of the company. .

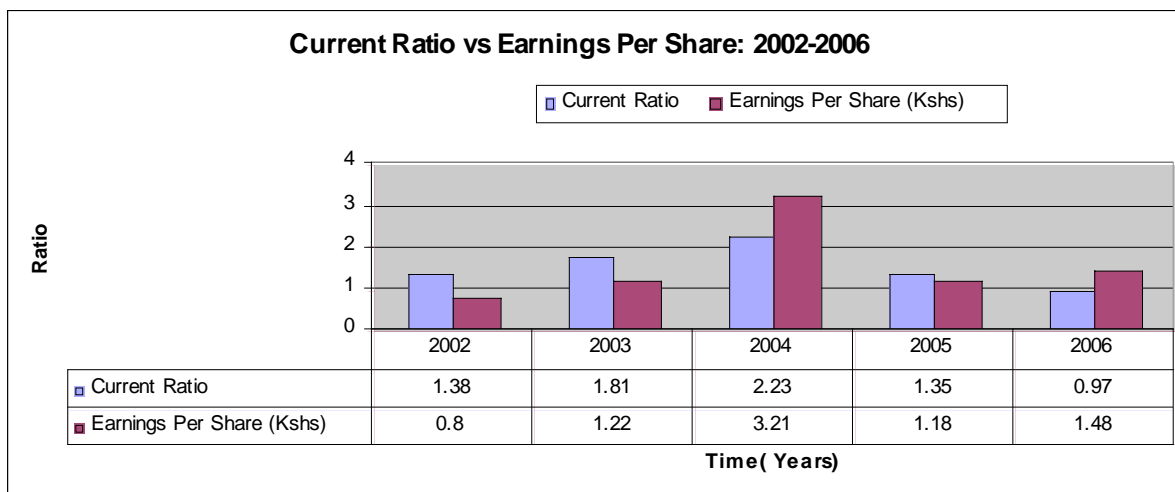


Source: Olympia Capital Holdings Limited Annual Reports: 2001-2006.

### 4.3.4 THE COMPANY’S KEY RATIOS.

#### 4.3.4a Current Ratio Vs EPS: 2001-2006

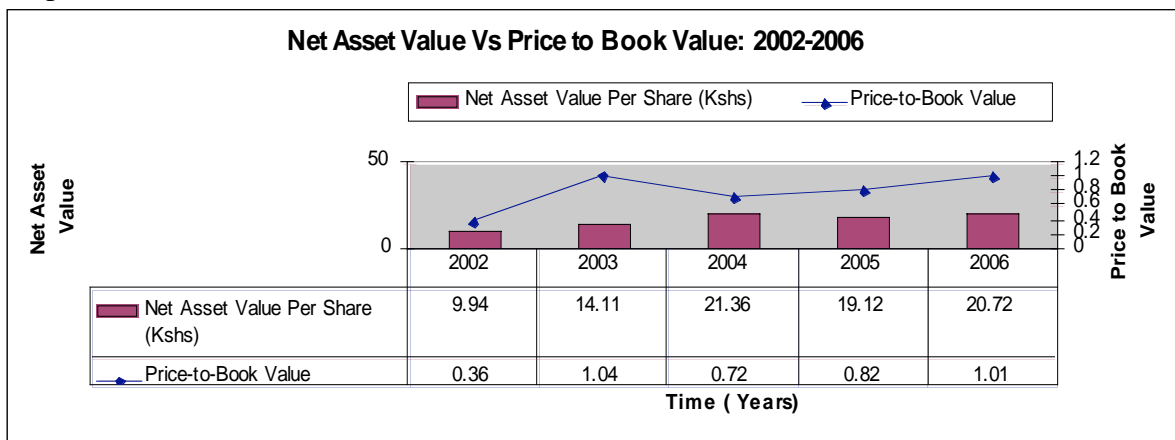
The Company’s earnings per share have been on the rise continuously from Ksh.0.80 in 2002 to Ksh.1.48 in 2006. However, the current ratio has been inconsistent, moving from Kshs. 1.38 in 2002 to Kshs. 2.23 in 2004 then dropping down to Ksh.0.97 in 2006. This is attributed to the company’s use of overdraft facilities and loans to finance some of its acquisitions projects. Most of the acquired businesses are in their growth stage and the company’s current assets are likely to grow strong.



**Source:** Olympia Capital Holdings Limited Annual Reports: 2002-2006.

#### 4.3.4b Net Asset Value Vs Price to Book Value: 2001-2006

The company's Net Asset Value per share has been on the increase on absolute terms from Kshs 9.94 in 2002 to Kshs 20.72 in 2006 in consistence with the company's increase in its assets due to acquisitions. The price to book value however, has been going up from 0.36 in 2002 to 1.01 in 2006. We expect the net asset value of the company to increase thus driving the price to book value at fair level.



**Source:** Olympia Capital Holdings Limited Annual Reports: 2002-2006.

#### 4.3.5 Financial Performance 2005 and 2006

	2006	2005	% Change
<b>SALES</b>	<b>396,760</b>	<b>291,225</b>	<b>36.24%</b>
<b>GROSS PROFIT</b>	<b>142,925</b>	<b>93,034</b>	<b>53.63%</b>
<b>NET PROFIT TO SHAREHOLDERS</b>	<b>14,800</b>	<b>11,781</b>	<b>25.63%</b>
<b>EPS ( BASIC AND DILUTED)</b>	<b>1.48</b>	<b>1.18</b>	<b>25.42%</b>

Table 14: Financial Performance.

Source: Olympia Capital Holdings Limited Annual Reports: 2001-2006.

#### 4.3.6 KEY FINANCIAL INDICATORS DECEMBER 2002 to 2006.

	2002	2003	2004	2005	2006
<b>Current Ratio</b>	<b>1.38</b>	<b>1.81</b>	<b>2.23</b>	<b>1.35</b>	<b>0.97</b>
<b>Earnings Per Share (Kshs)</b>	<b>0.80</b>	<b>1.22</b>	<b>3.21</b>	<b>1.18</b>	<b>1.48</b>
<b>Price-to-Earnings Ratio</b>	<b>9.9</b>	<b>18.79</b>	<b>6.92</b>	<b>13.98</b>	<b>20.95</b>
<b>Net Asset Value Per Share (Kshs)</b>	<b>9.94</b>	<b>14.11</b>	<b>21.36</b>	<b>19.12</b>	<b>20.72</b>
<b>Price-to-Book Value</b>	<b>0.36</b>	<b>1.04</b>	<b>0.72</b>	<b>0.82</b>	<b>1.01</b>
<b>Share Price as at 31 December</b>	<b>5.00</b>	<b>17.35</b>	<b>15.85</b>	<b>16.00</b>	<b>31.00</b>

Table 15; Financial Indicators.

**4.3.7 INCOME STATEMENT PROJECTION FOR THE PERIOD MAY 2007 TO FEBRUARY 2008 WITH 53% CONTROL OVER OCCL.**

<b>Particulars</b>	<b>Actual (12 months) Dec-06</b>	<b>Projected (14months) Feb-08</b>
<b>REVENUE</b>	<b>396,760,000</b>	<b>1,424,514,513</b>
<b>GROSS PROFIT</b>	<b>142,928,000</b>	<b>683,970,748</b>
<b>PROFIT FROM OPERATIONS</b>	<b>30,453,000</b>	<b>81,570,112</b>
<b>PROFIT AFTER TAXATION</b>	<b>22,914,000</b>	<b>53,446,082</b>
<b>MINORITY INTEREST</b>	<b>8,114,000</b>	<b>21,900,000</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>14,800,000</b>	<b>31,546,082</b>

Table 16: Income statement projections

Source: OCHL Annual and Management Accounts

## **5.0 RISK CONSIDERATIONS.**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash-flow interest-rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. A description of the significant risk factors is given below together with the risk management policies applicable.

### **5.1 ECONOMIC RISKS**

#### **5.1.1 Interest rate risk**

The Group's interest rate risk arises from long-term borrowings. As the Group has no significant interest bearing assets, the Group's income/operating cash flows are substantially dependent on changes in market interest rates, thus resulting in fluctuations of finance costs significantly. Previous borrowings were used for business expansion and acquisitions. The funds being raised in this Rights issue will be used to retire the current loan. This will be mitigated by exposing the company to less borrowing on short term basis only

#### **5.1.2 Inflation**

The high inflation has had an adverse effect in the mortgage industry in terms of the consumer purchasing power. As a risk, inflation tends to affect the interest charged by the banks and this always end up in rates adjustment for the borrower. Also, inflation reduces the intrinsic value of produced good, if they long in the warehouses before they sold. To mitigate this risk, the company intends to sell their goods as quickly as it can possible be.

### **5.2 BUSINESS RISKS**

#### **5.2.1 Counterfeit products**

Most countries of operations are affected by cheap counterfeit products which have been flooding the building industry. The respective countries do not have effective legislation that governs the intellectual property and counterfeit products. The quality control and certification bodies like Kenya Bureau of Standards (KeBS), South African Bureau of Standards (SABS) and Botswana Bureau of Standards (BOBS) have no proper enforcement mechanisms to stop the illegal substandard imports.

This is being mitigated by patriotic appeal to consumers through initiatives like “*Buy Kenya, build Kenya*” & “*Proudly South African*” which are meant to discourage counterfeit importation and build local brands

#### **5.2.2 Industry Consolidation & Competition**

The government infrastructural development tenders/ programs are implemented within various policy frameworks that have biases towards local entrepreneurs in the construction industry. This has resulted into substantial consolidation within the industry and a major portion of the market for home improvement products is now controlled by a handful of national players. It is expected that further consolidation

will occur and hence reduce chances of winning national tenders. This will be mitigated by OCHL forming working relationships with other market players in the industry

#### 5.2.3 Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment. Risk mitigation can be achieved by fully applying the International Accounting Standards (IAS) for financial reporting. In addition the company has implemented a computer management information system to manage the supply chain. The company is working on a strategy to strengthen the debt recovery unit.

### 5.3 FINANCIAL RISKS

#### 5.3.1 Currency risk.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Kenyan Shilling, South African Rand and Botswana Pula fluctuating against the US\$ dollar and other international currencies. Foreign exchange risk arises from the need to import raw materials. The Group has investments in foreign operations, whose net assets are exposed to foreign currency translation risk. This risk is mitigated by the company strategically going to inter economy trading within the subsidiaries which will reduce the currency exposures. In addition the company is looking into possibilities of holding sufficient deposits of foreign currency and sell goods in the foreign currencies

#### 5.3.1 Fair values determination

The carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables, amounts due to group companies and loans & overdrafts from banks are approximated at their fair values. Financial assets and liabilities which are accounted for at historical cost are carried at values that may differ from their fair values. Risk comes from reporting in different accounting regimes. Risk mitigation can be achieved by fully applying the International Accounting Standards (IAS) for financial reporting

### 5.4 POLITICAL RISKS

#### 5.4.1 Black Economic Empowerment (BEE) risk

The South African government supports the BEE initiative which gives the original natives of South Africa an easy entry and purchase of up to 25% of existing business owned by foreigners. In most circumstances the value of the 25% of the business is under valued. This makes the current owners loose capital and sometimes control of their businesses as they strive to comply with this new requirement. This risk will be mitigated by the company co-opting local friendly shareholders

**6.0****REPORTING ACCOUNTANTS REPORT**

June 2007

The Directors  
Olympia Capital Holdings Limited  
P O Box 30102  
00100 Nairobi

Dear Sirs,

**REPORTING ACCOUNTANTS' REPORT ON OLYMPIA CAPITAL LIMITED**

The current auditors of Olympia Capital Holdings Limited are DCDM Associates and have acted as auditors of the company for the two financial years ended 31 December 2006. We were the company auditors for the three years period ended 31 December 2002.

The subsidiary companies' and associate company auditors for the periods covered by this report were as follows:

<b>Subsidiary:</b>	<b>Auditor</b>	<b>Year</b>
1 Dunlop Industries Limited	Deloitte & Touche Grant Thornton	2002 2003 and 2004
	DCDM Associates	2005 and 2006
<b>Associates</b>		
2 Olympia Capital Corporation (Proprietary) Limited	BDO Spencer Steward	2005 and 2006
3 Kalahari Floor Tiles (Proprietary) Limited	BDO Spencer Steward	2005 and 2006
4 Gaborone Enterprises (Proprietary) Limited	BDO Spencer Steward	2005 and 2006
5 Plush (Proprietary) Limited	Horwath Leveton Boner	2005 and 2006
1 Avon Rubber Company (Kenya) Limited	Kang'ethe and Associates	2002 to 2006

We report hereunder on the results of Olympia Capital Holdings Limited in respect of each of the five years ended 31 December 2006 and on the assets and liabilities at 31 December 2006 being the date to which the last audited financial statements were prepared.

Other than as stated in this Accountants' Report, we have not audited any other information relating to Olympia Capital Holdings Limited or its subsidiaries or associate.

**a. INTRODUCTION***Group structure*

Olympia Capital Holdings Limited was incorporated on 22 May 1970 as Dunlop Kenya Limited. The company subsequently changed its name from Dunlop Kenya Limited to Olympia Capital Holdings Limited in 2004.

Subsidiary:	% ownership	Country of incorporation
1 Dunlop Industries Limited	100%	Kenya
<b>Associates.</b>		
2 Olympia Capital Corporation (Proprietary) Limited	53%	Botswana
3 Kalahari Floor Tiles (Proprietary) Limited	100%	Botswana
4 Gaborone Enterprises (Proprietary) Limited	53%	Botswana
5 Plush (Proprietary) Limited	74%	South Africa
1 Avon Rubber Company (Kenya) Limited	27.5%	

Olympia Capital Corporation (Proprietary) Limited had a rights issue after 31 December 2006 in the first quarter of 2007 which resulted in Olympia Capital Holdings Limited's control being reduced to 26%.

#### *Consolidated financial statements*

The financial information set out in this report is compiled by reference to the audited consolidated financial statements of Olympia Capital Holdings Limited, Dunlop Industries Limited, Olympia Capital Corporation (Proprietary) Limited, Kalahari Floor Tiles (Proprietary) Limited, Gaborone Enterprises (Proprietary) Limited, Plush (Proprietary) Limited and Avon Rubber Company (Kenya) Limited for the five years ended 31 December 2006.

#### *Auditors' reports*

The annual financial statements of Olympia Capital Holdings Limited and its subsidiaries have been without audit qualification throughout the period covered by this report. However, emphasis of matter contained in the audit reports for the periods covered by this report have been reproduced in full below:

#### *Olympia Capital Holdings Limited audited by Deloitte & Touche (2002 audit report)*

As at 31 December 2002, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Sh 32,885,000 (2001- Sh 19,272,000) and it had a shareholders' deficit of Sh 28,833,000 (2001- Sh 13,357,000) primarily due to trading losses made by the company in previous years.

Return to profitable operations and satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The shareholders have given their commitment to continue supporting Dunlop Industries Limited to improve its operations and financial position and have undertaken to provide the necessary financial support to enable it pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to prepare these financial statements of Dunlop Industries Limited on a going concern basis.

#### *Olympia Capital Holdings Limited audited by Grant Thornton (2003 audit report)*

As at 31 December 2003, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Sh 19,505,629 (2002- Sh 32,885,000) and it had a shareholders' deficit of Sh 27,615,699 (2002- Sh 28,833,000) primarily due to trading losses incurred in previous years.

Similarly, Plasrik SA (Proprietary) Limited, an indirect subsidiary of Olympia Capital Corporation (Proprietary) Limited, had a shareholders' deficit of Sh 32,346,027 (2002 -Sh 15,091,345) primarily due to trading losses incurred in previous years.

Return to profitable operations and satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The shareholders have given their commitment to continue

supporting Dunlop Industries Limited to improve its operations and financial position and have undertaken to provide the necessary financial support to enable it pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to prepare these financial statements of Dunlop Industries Limited and Plasrik SA (Proprietary) Limited in these group financial statements on a going concern basis.

*Olympia Capital Holdings Limited audited by Grant Thornton (2004 audit report)*

As at 31 December 2004, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Sh 12,007,742 (2003- Sh 19,505,629) and it had a shareholders' deficit of Sh 21,861,263 (2003- Sh 27,615,699) primarily due to trading losses incurred in previous years.

Satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The holding company has given its commitment to continue supporting the subsidiary to improve its operations and financial position and have undertaken to provide the necessary financial support to enable it pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to prepare these financial statements of Dunlop Industries Limited in these group financial statements on a going concern basis.

*Olympia Capital Holdings Limited audited by DCDM Associates (2005 audit report)*

As at 31 December 2005, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Sh 18,719,034 (2004- Sh 12,007,742) and it had a shareholders' deficit of Sh 15,799,833 (2004- Sh 21,861,263) primarily due to trading losses incurred in previous years.

Satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The holding company has given its commitment to continue supporting the subsidiary to improve its operations and financial position and have undertaken to provide the necessary financial support to enable it pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to prepare these financial statements of Dunlop Industries Limited in the group financial statements on a going concern basis.

Olympia Capital Holdings Limited, the company, is in a negative working capital position. However, no qualification has been made to that effect since it is an investment holding company and its largest investments, the Botswana subsidiaries, are showing positive net worth.

*Olympia Capital Holdings Limited audited by DCDM Associates (2006 audit report)*

As at 31 December 2006, the current liabilities of Dunlop Industries Limited, a wholly owned subsidiary of Olympia Capital Holdings Limited, exceeded its current assets by Sh 11,403,674 (2005- Sh 18,719,034) and it had a shareholders' deficit of Sh 10,055,675 (2005- Sh 15,799,833) primarily due to trading losses incurred in previous years.

Satisfactory liquidity levels are dependent on improved operations and/or injection of additional capital. The holding company has given its commitment to continue supporting the subsidiary to improve its operations and financial position and have undertaken to provide the necessary financial support to enable it pay its liabilities as they fall due.

In view of the above, the directors consider it appropriate to prepare these financial statements of Dunlop Industries Limited in the group financial statements on a going concern basis.

Olympia Capital Holdings Limited, the company, is in a negative working capital position. However, no qualification has been made to that effect since it is an investment holding company and its largest investments, the Botswana subsidiaries, are showing positive net worth.

Adjustments

We have adjusted other income in the 2005 and 2006 income statements with the dividends paid to parent company by a subsidiary, Olympia Capital Corporation Limited, which should have been eliminated on consolidation. This has resulted in restatement of the profit for 2005 and 2006 and elimination of dividends paid by the parent in the statement of changes in equity. We have not passed any other adjustments to the audited financial statements adopted in the preparation of this accountants' report apart from reclassifications to conform to changes in presentation in line with International Financial Reporting Standards.

**B. COUNTRY OF INCORPORATION AND PRINCIPAL ACTIVITIES**

Olympia Capital Holdings Limited is domiciled and incorporated in Kenya under the Companies Act (Cap. 486) and its principal activities and that of the subsidiary and associate companies is the manufacture and sale of floor tiles, adhesives, curtain tracking and related products.

**C. CURRENCY**

The financial statements are expressed in Kenya Shillings Thousands (Sh'000).

**D. DIRECTORS' RESPONSIBILITY**

The directors of Olympia Capital Holdings Limited are responsible for the preparation of the Information Memorandum and all the information contained therein and for the financial statements and financial information to which the Accountants' report relates and from which it has been prepared. Our responsibility is to compile the financial information from the financial statements.

**E. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are prepared under the historical cost convention as adjusted by the revaluation of certain items of property, plant and equipment.

The preparation of accounts in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these events are based on the directors' best knowledge of current events and actions, actual results may ultimately differ from those results.

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost or at valuation less accumulated depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably.

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation surplus directly in equity; all other decreases are charged to the income statement.

Each year, the difference between depreciation based on the revalued carrying amounts of the assets charged to the income statement and depreciation based on the assets original cost is transferred from revaluation surplus to revenue reserves.

Depreciation is calculated on the straight-line basis to write off the cost of the assets over their estimated useful lives as follows:

	<b>% rate per annum</b>
Buildings	2.0 – 2.5
Plant and machinery	7.5 – 20
Furniture, fittings and equipment	20
Motor vehicles	20

Depreciation is provided for the full year in the year of acquisition of the asset and no depreciation is provided in the year of disposal.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with their carrying amounts and are included in the income statement. On disposal of revalued assets, the amounts included in the revaluation surplus are transferred to revenue reserves.

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

### **Patents and trademarks**

Patents and trademarks are reported at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged on a straight line basis over their useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

### **(a) Revenue recognition**

Revenue represents amounts billed to customers excluding discounts, rebates, and Value Added Tax. Revenue is recognized upon delivery of services.

### ***Consolidated financial statements – subsidiaries***

The consolidated financial statements incorporate the financial statements of the company and enterprises controlled by the company (its subsidiaries) made up to December 31, each year. Control is achieved, directly or indirectly, where the company has the power to govern the financial and operating policies of an invested enterprise so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated income statement from the effective date of their acquisition up to the effective date of their disposal.

The income statements of subsidiaries are translated at average exchange rates for the year and balance sheets at the year end rates. All significant inter company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries, Dunlop Industries Limited, Olympia Capital Corporation (Proprietary) Limited, Kalahari Floor Tiles (Proprietary) Limited, Gaborone Enterprises (Proprietary) Limited and Plush (Proprietary) Limited. The company and its subsidiaries' financial statements have been prepared to 31 December 2006.

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the 'group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The results of an associate – Avon Rubber Company Limited that was acquired on 31 December 2006 have not been consolidated since the post acquisition results were deemed insignificant.

### **Leasehold Land**

Under IAS 17 on leases, the cost of acquiring leasehold land are treated as prepaid operating lease rentals and amortised over the lease period.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### ***Accounting for leases-where the company is the lessor***

Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement unless they are attributed

to qualifying assets in which case, they are capitalized in accordance with the policy on borrowing costs

***Accounting for leases where the company is the lessee***

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

***Operating Leases***

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar fixed assets. Rental income is recognized on a straight line basis over the lease term.

**Inventories**

Inventories are stated at the lower of cost and net realisable value.

***Basis of cost***

The cost of inventories comprises all the costs of purchase, costs of conversion and other costs incurred in bringing the product to its present location and condition. Cost is determined by the weighted average method.

***Basis of net realisable value***

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and the estimated selling expenses.

***Stock provisions***

Specific provision for stocks is made when stocks are considered damaged, slow-moving or obsolete.

**Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included under borrowings in current liabilities.

**Borrowings**

Borrowings are recognized initially at fair value being their issue proceeds net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after balance sheet date.

**Taxation**

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with the tax legislation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income taxes arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted at the balance sheet date and are expected to apply in the period when the related deferred tax asset is realised or the deferred income tax liability is settled.

The principal provisions are made in respect of depreciation on property, plant and equipment, unrealized exchange gains or losses, and tax losses carried forward.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

### **Retirement Benefit obligations**

The group contributes to a statutory defined contribution pension scheme, the National Social Security Fund (“NSSF”). The Group’s obligations under the scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of Kshs 200 per month per employee.

The group also operates an optional defined contribution pension scheme for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The group’s obligations to the retirement benefit schemes are recognized in the income statement as they fall due.

### **Impairment of assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling value and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **Foreign currencies**

#### *Functional and presentation currency*

Items included in the financial statements (*of each of the Group’s entities*) are measured using Kenyan Shillings (“Kshs”), the currency of the primary economic environment in which the entity operates (“functional currency”). The consolidated financial statements are presented in Kenyan Shillings, which is the company’s functional and presentation currency.

#### *Transactions and balances*

Foreign currency transactions during a month are converted into Kenya Shillings at the exchange rates ruling at the end of the previous month. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cashflow hedges and qualifying net investment hedges.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the date of the transaction.

*Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- (b) Income and expenses for each income statement are translated at average exchange rates; and
- (c) All resulting exchange differences are recognized as a separate component of equity.

**Foreign currencies (continued)**

*Group companies (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

**Provision for employee entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave accrued at the balance sheet date.

Certain employees of the group are entitled to service gratuity on resignation or termination of employment based on the salary at the time of such resignation or termination of services. The service gratuity is provided for in the financial statements as it accrues to each employee.

**Provisions**

Provisions are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate or the amount of the obligation can be made.

**Financial instruments**

*Trade receivables*

Trade receivables are carried at original invoice amounts less provision for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the end of the accounting period, when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

*Trade payables*

Trade payables are stated at their nominal value.

## OLYMPIA CAPITAL HOLDINGS LIMITED

F CONSOLIDATED INCOME STATEMENTS FOR THE FIVE YEARS ENDED  
31 DECEMBER 2006

	Note	31 December 2006 Sh'000	31 December 2005 Sh'000	31 December 2004 Sh'000	31 December 2003 Sh'000	31 December 2002 Sh'000
SALES	1	396,760	291,225	291,887	274,450	263,232
COSTS OF SALES		(253,832)	(198,191)	(184,824)	(188,535)	(172,683)
GROSS PROFIT		142,928	93,034	107,063	85,915	90,549
OTHER OPERATING INCOME		9,981	12,831	9,136	5,990	12,111
DISTRIBUTION COSTS		(2,891)	(2,391)	(2,859)	(2,459)	(3,965)
ADMINISTRATIVE EXPENSES		(118,459)	(71,840)	(60,534)	(52,778)	(73,927)
OTHER OPERATING EXPENSES		(1,106)	(3,478)	(3,904)	(3,377)	(17,785)
OPERATING PROFIT		30,453	28,156	48,902	33,291	6,983
NET FINANCE (COSTS)/INCOME	2	(4,444)	(1,102)	3,287	4,895	15,621
PROFIT BEFORE TAXATION	3	26,009	27,054	52,189	38,186	22,604
TAXATION CHARGE	5	(3,095)	(4,251)	(3,627)	(8,237)	(1,650)
PROFIT BEFORE MINORITY INTEREST		22,914	22,803	48,562	29,949	20,954
MINORITY INTEREST		(8,114)	(11,022)	(16,409)	(17,680)	(12,990)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF PARENT		14,800	11,781	32,153	12,269	7,964
EARNINGS PER SHARE - BASIC & DILUTED	6(a)	1.48	1.18	3.21	1.22	0.80
DIVIDENDS PER SHARE		-	-	-	-	-

## OLYMPIA CAPITAL HOLDINGS LIMITED

G CONSOLIDATED BALANCE SHEETS FOR THE FIVE YEARS  
TO 31 DECEMBER 2006

	Note	31 December 2006 Sh'000	31 December 2005 Sh'000	31 December 2004 Sh'000	31 December 2003 Sh'000	31 December 2002 Sh'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	7	129,613	81,296	85,013	68,288	51,204
Prepaid operating lease rental	8	-	-	10,458	9,925	8,271
Intangible assets	9	127,670	21,933	21,933	15,932	14,565
Investment in associate	10	62,858	-	-	-	-
Due from related parties	11	6,945	69,803	-	-	-
Non current receivables		-	-	-	-	2,050
		<u>327,086</u>	<u>173,032</u>	<u>117,404</u>	<u>94,145</u>	<u>76,090</u>
<b>Current assets</b>						
Inventories	12	169,751	32,917	37,245	30,346	22,213
Trade and other receivables	13	276,340	59,057	42,756	37,984	39,823
Due from related parties	11	864	846	72,732	71,789	71,230
Cash and bank balances		25,187	26,437	50,298	37,265	19,365
		<u>472,142</u>	<u>119,257</u>	<u>203,031</u>	<u>177,384</u>	<u>152,631</u>
<b>Total assets</b>		<u>799,228</u> =====	<u>292,289</u> =====	<u>320,435</u> =====	<u>271,529</u> =====	<u>228,721</u> =====
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and Reserves</b>						
Share capital	14	50,000	50,000	50,000	50,000	50,000
Share premium		-	-	8,298	-	-
Translation reserve		(22,168)	(15,146)	5,782	5,463	642
Revaluation surplus		25,177	25,664	21,496	17,128	15,663
Revenue reserve		85,113	73,154	66,726	28,598	15,973
<b>Equity attributable to equity holders of the parent</b>		<u>138,122</u>	<u>133,672</u>	<u>152,302</u>	<u>101,189</u>	<u>82,278</u>
<b>Minority Interest</b>		<u>69,035</u>	<u>57,539</u>	<u>61,342</u>	<u>39,939</u>	<u>17,124</u>
<b>Total equity</b>		<u>207,157</u>	<u>191,211</u>	<u>213,644</u>	<u>141,128</u>	<u>99,402</u>
<b>Non-Current Liabilities</b>						
Borrowings	15	98,883	4,802	8,483	20,308	16,731
Deferred Tax	16	4,920	7,992	7,162	12,021	2,369
		<u>103,803</u>	<u>12,794</u>	<u>15,645</u>	<u>32,329</u>	<u>19,100</u>
<b>Current Liabilities</b>						
Trade and other payables	17	29,212	66,390	53,901	58,865	80,047
Due to related parties	11	89,335	3,563	13,394	21,417	11,906
Borrowings	15	155,426	7,025	12,003	5,762	7,148
Unclaimed dividends		5,844	5,850	5,851	5,851	5,851
Tax payable		8,451	5,456	5,997	6,177	5,267
		<u>488,268</u>	<u>88,284</u>	<u>91,146</u>	<u>98,072</u>	<u>110,219</u>
<b>Total equity and liabilities</b>		<u>799,228</u> =====	<u>292,289</u> =====	<u>320,435</u> =====	<u>271,529</u> =====	<u>228,721</u> =====